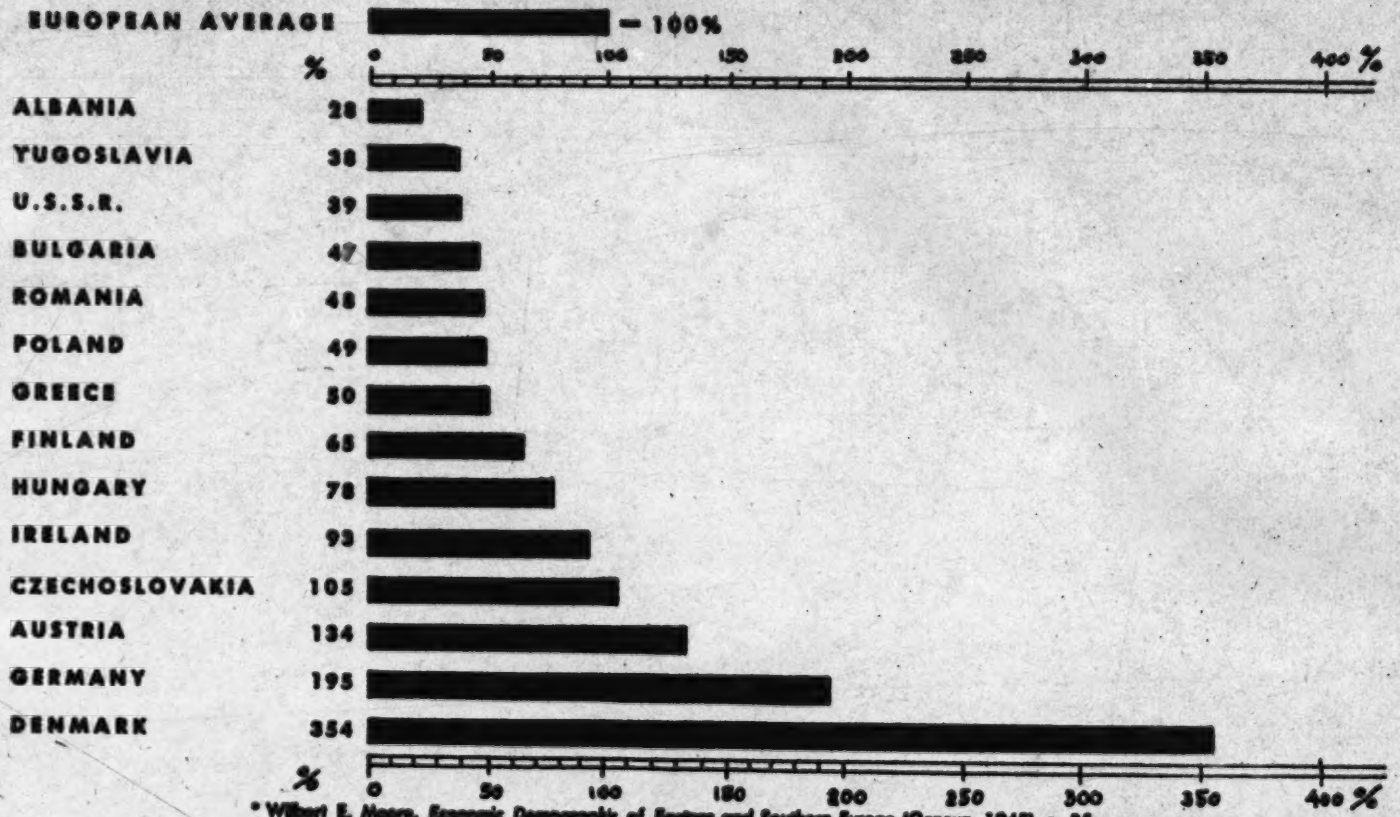
2: Milosz S-5 (no date)1953 El Europe El

well stocked; but given the shortage of food and consumer goods, this is rarely, if ever, the case. For workers' children, social advancement is easy because the Party must recruit the cadres of the new intelligentsia from their ranks. The worker can educate himself by attending countless evening courses. If he stands in good favor with the Party he can enjoy a vacation in a rest home, all expenses paid. On the other hand, he cannot defend himself against exploitation by his employer, the state. His trade union representatives are Party tools. They team together with the factory managers for one purpose: to raise production. Workers are told that a strike is a crime. Against whom are they to strike? Against themselves? After all, the means of production belong to them, the state belongs to them. But such an explanation is not very convincing. The workers, who dare not state aloud what they want, know that the goals of the state are far from identical with their own.

Central and Eastern Europe produce in order to raise the military and economic potential of the Center and to compensate for the industrial backwardness of Russia. Workers and their needs have no influence on production plans. Most of the goods produced ebb away to the East. Besides, every product of a worker's hands is the object of innumerable bookkeeping operations. A whole staff of functionaries sits in every factory, counting, writing reports, compiling statistics; the same thing happens on every rung of the state hierarchy, right through to the state wholesale houses and retail stores. If, at last, the article reaches the consumer, it is very expensive; into its cost are counted the salaries of the swarms of bureaucrats through whose hands it must pass. Factory machines are over-aged; there is a scarcity of essential spare parts. So workers are ordered to replace broken parts by whatever

AGRICULTURAL PRODUCTION per PERSON DEPENDENT on AGRICULTURE

AVERAGE 1931-1935.*



* Wilbert E. Moore, *Economic Demography of Eastern and Southern Europe* (Geneva, 1945), p. 35.

5; Free Europe Committee U-4 (no date) 1954 El Europe El

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241 edly conscious of the fact that the extraordinary rapidity of Soviet industrial growth in the thirties was achieved partly at the cost of a greater disparity between industrial and agricultural development than was characteristic of the major Western nations.

241 185 The extent to which the Communists were prepared to permit a lag in agricultural progress was indicated, first of all, by the small portion of national resources the Plans allocated to agriculture. As shown in Table 20, the planned investment in agriculture averaged around 10 per cent of the total investment schedule. In evaluating the figures in Table 20 it should be remembered that, with the exception of Czechoslovakia, the economies of Eastern Europe were primarily agricultural. Furthermore, in the period of the Plans, an increasingly large share of the land came under the control of the State, whose investment policy is here under scrutiny.

Another indication of the conscious purpose behind Communist agricultural neglect is to be found in the Plan targets set for farm commodities. As Table 21 indicates, the Plans provide for approximately four times as great an increase in the production of producer goods as of agricultural goods. And while a 50 per cent increase in agriculture is not negligible, it represents a goal the Communists, on the basis of Soviet experience, knew they could not possibly fulfill.[11]

TABLE 21

433 PLANNED FIVE YEAR PLAN PRODUCTION INCREASES
(Poland – Six Years)

Country	Producer Goods	Consumer Goods	Agriculture
	(Year preceding Plan = 100)		
Bulgaria (1948-53)	326	273	137
Czechoslovakia (1948-53)	230	170	153
Hungary (1950-54)	380	245	154
Poland (1950-56)	254	211	150

[11] The underfulfillment of agricultural and light industry targets in the USSR had become almost a tradition, and the East European Communists certainly were conscious of this heritage. They must have known, too, that the failure to fulfill the targets set for non-heavy industrial production did not stop the Soviet planners from setting targets far beyond possible attainment in the next plan (see Harry Schwartz, pp. 305-329). This adamant refusal to bring non-heavy industrial targets into the realm of reality was part of the dogma, firmly held up to Stalin's death, that the rapid expansion of heavy industry did not in any way deter the development of light industry, a dogma which was patently false, but one which for reasons of public safety, had to be upheld.

5; Free Europe Committee U-4 (no date) 1954 El Europe El

433 in the Planning Commission, who said that the discrepancy between 185 agriculture and industry was "legitimate and in accord with the general conditions of the developing productive forces."[16] In a *Nowe Drogi* article published in February 1952, the then President, Bierut, put the final stamp of disapproval on Minc's analysis of the agricultural failure by stating that "the low production in agriculture cannot be explained by conditions and objective reasons." In other words, it was not, he said, the Government's policy which was responsible for the agricultural lag, but the ineptness with which the policy was being implemented by officials.[17]

Bierut answered Minc by denying that an agricultural lag was a necessary corollary of rapid industrial expansion. It is doubtful that he actually believed this to be true, but in order to justify the increased pace of industrialization it was necessary to maintain this dogma. By reiterating the dogma, Bierut ended this brief, but very significant argument; soon full-scale collectivization was resumed in Poland.

Later in 1952, Bierut again complained of lagging agriculture, citing figures to show the widening disproportion (see Table 22). The "rate of increase of agricultural production remains far below the needs of the economy," he said, but he steadfastly refused to acknowledge that the breakneck industrial pace might be responsible.[18] As events turned out, the figures he cited to show agricultural insufficiency decidedly overestimated future agricultural produc-

TABLE 22 *

PRODUCTION IN POLAND – BY SECTOR
(1949 = 100)

	1949	1950	1951	1952	1953 (Planned)
Socialist Industry	100	131	152	192	258
Agriculture as a Whole....	100	111	106	115	150

* B. Bierut, Report at the "Plenum of the Central Committee of the PZPR," June 14-15, 1952.

[16] *Nowe Drogi*, December, 1951, p. 85.
[17] *Nowe Drogi*, February, 1952, pp. 7-8.
[18] *Trybuna Ludu* (Warsaw), November 6, 1953.

5: Free Europe Committee U-4 (no date) 1954 E1 Europe E1

tion.[19] Undoubtedly, Bierut was conscious of the fantastic optimism in the planned 50 per cent increase in agricultural production by 1953; but he could not admit it until the 1953 New Course released him from some of the extended industrial targets which had made the agricultural lag necessary. In his speech to the Central Committee Plenum in October 1953, Bierut vindicated Minc's original analysis, and acknowledged that the simultaneous expansion of both agriculture and industry at the planned pace was impossible.

Since the New Course constituted a partial repudiation of the program of ever-increasing economic disproportion, Communist leaders felt free to admit the gravity of the situation created by their previous policies. Gheorghiu-Dej, the Romanian Premier, for example, declared:

> The rate of industrialization has been forced, especially as regards heavy industry, which led to the establishment of too large a volume of capital investment in comparison with the national revenue, exceeding even the provisions of the Five Year Plan.[20]

In other words, the bureaucratic machine tended to distort the investment schedule even more than called for in the Plan. "As the result of the allocation of too large capital investments for heavy industry," Gheorghiu-Dej continued, "agriculture—surely one of the principal branches of the national economy—and consumer goods have not been supplied with sufficient funds . . ." In Bulgaria, the disproportions were apparently as pronounced as those in Romania but, for a variety of reasons, Bulgarian Premier Vulko Chervenkov did not feel it necessary to criticize them so sharply. But he too, in his September 8, 1953 New Course address, complained of the serious lag in consumer goods and agriculture resulting from the unbalanced investment program.[21] The most dramatic revelation of agricultural neglect in the Satellite area came from Hungary in Premier Imre Nagy's speech of July 4, 1953, in which he condemned in the most severe terms the hitherto-accepted policy of heavy industrial emphasis.[22] Unlike the other Satellite leaders, who tended

[19] In actual fact the planned targets for 1952 and 1953 were not even partially fulfilled. Instead of 115 per cent in 1952, only 104.9 per cent was reached; and instead of 150 per cent in 1953; only 109.0 per cent was reached (*Gospodarka Planowa* [Warsaw], No. 12, 1953, p. 10).

[20] *Scanteia* (Bucharest), August 23, 1953.

[21] *Rabotnichesko Delo* (Sofia), September 9, 1953. At the 6th Congress of the Bulgarian Communist Party, both Chervenkov and the Chairman of the State Planning Commission, Georgi Chankov, acknowledged that agriculture had seriously lagged behind industry (*Rabotnichesko Delo*, March 2, 1954).

[22] *Szabad Nep* (Budapest), July 5, 1953.

● 453 to treat the growing economic disproportions as an *aberration* of
185 the Plans, or at least of the intention of the Plans, or an unfortunate and inexplicable oversight, Nagy clearly assigned responsibility for the failure to the leadership itself. Bierut and Gheorghiu-Dej phrased their announcements of the New Course in such a way as to hint that the agricultural failure had been the result of official policy, but they hedged considerably. Th.. extremely critical economic situation in Hungary of 1953 forced Nagy to treat the past policy with a frankness which was not as apparent elsewhere. But despite the reticence elsewhere, it was clear that the growing disproportions were the result of deliberate Communist application, with slight variations, of the formula stated by Zapotocky in 1949.

665 The most striking proof of the secondary role which agricultural development played in Eastern Europe is the general weakness of the Communist political apparatus in the countryside. In this respect East European Communists followed closely in the Soviet footsteps, where approximately 85 per cent of the kolkhozes were without a Party organization in 1949.[23] In Poland, Jacob Berman admitted, 43 per cent of the *villages* were without a Party organization altogether,[24] and elsewhere in the block the situation was no better.[25]

The absence of strong and viable Party units in the countryside reflects the unwillingness of the Communist leadership to assign its best technical and administrative personnel outside heavy industry, as well as the natural gravitation of rising bureaucrats—many of them, after all, drawn from the countryside itself—to the comforts of city life. Throughout the Soviet sphere the composition of the Communist Parties has become increasingly identified with the new managerial bureaucracy and, consequently, the Party units tend to exist in those places where the concentration of technicians is greatest.

This partly explains why implementation of the New Course in 1953-54 has made it imperative that the Party organizations in the countryside be strengthened. The East European regimes have

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[23] Merle Fainsod, *How Russia Is Ruled* (Cambridge, 1953), p. 454. Fainsod also notes that only 17.7 per cent of the Party members in the predominantly agricultural Ukraine were engaged in agricultural pursuits.

[24] *Trybuna Ludu*, November 6, 1953.

[25] See the speeches of the Czechoslovak Minister of Agriculture, Jindrich Uher (*Rude Pravo*, December 19, 1953), and the Hungarian Minister of Agriculture, Andras Hegedus (*Szabad Nep*, December 31, 1953).

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TABLE 29

PROPORTION OF GRAIN MARKETED IN POLAND BY SECTOR IN 1953*

Sector	Percent of Marketed Grain	Percent of Arable Land
State Farms	17.0	11.9
Production Cooperatives	6.5	6.5
Small Peasants	7.5	11.5
Middle Peasants	50.0	59.0
Kulaks	19.0	11.1
	100.0	100.0

* *Trybuna Ludu* (Warsaw), December 31, 1953.

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much less flattering light (see Table 29). However, even in 1953 the "Socialist sector" contributed more than its share to the market, and thus economically justified itself. Holding 18.4 per cent of the arable land, the "Socialist sector" contributed 23.5 per cent of the marketed grain. It should be noted, however, that the superiority was confined solely to State Farms. The collective farms, which comprised six per cent of the countryside, marketed no more than six per cent of the total grain.

The important role the State Farms play is made clear in Table 30, where it is demonstrated that, despite the low productivity per hectare, the State Farms outdid others in marketed production.

TABLE 30

PRODUCTION AND MARKETING OF POLISH STATE FARMS 1949 – 1952*

	1949	1950	1951	1952 *(Planned)*
Percent of Total Production (in current prices)	5.4	6.1	7.5	9.6
Percent of Total Marketing	–	6.8	10.5	15.1

* *Wies w Liczbach*, (Warsaw, 1952), p. 116.

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* *Trybuna Ludu* (Warsaw), December 31, 1953.

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FARM PRODUCTION and MARKETING IN POLAND – BY SECTOR*

– 1952 –

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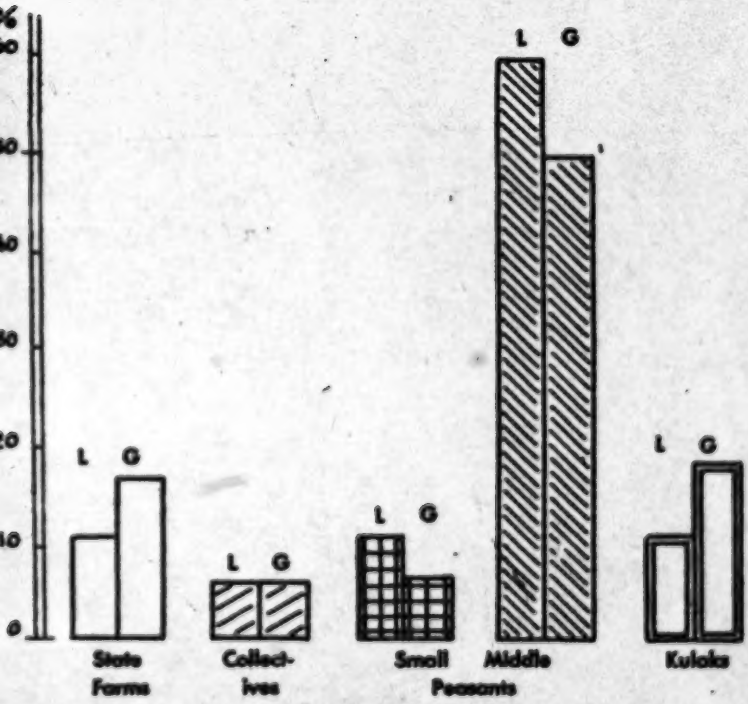
Percent of arable land (L)

Percent of marketed grain (G)



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But if the State Farms exceed independent farms in grain marketing, the so-called kulaks exceed even the State Farms. With only 11.1 per cent of the arable land, they account for 19 per cent of the marketed grain. Precisely for this reason the Polish economist, Jerzy Tepicht, in an article published in December 1953, warned against the "irresponsible policy of destroying the productive capacity" of the kulaks.[46] If the kulaks cannot be broken, the regime must cooperate with them or risk an agricultural crisis such as occurred in Hungary in 1953.

The same Tepicht, in an article on the general problem of marketing, tried to establish the thesis that State Farms had come to play the same role in marketing that had formerly been held by large landowners.[47] In pre-war times the large landowners, holding 18.1 per cent of the land, contributed 29.9 per cent of the total marketed grain. Today, the State Farms, holding 12 per cent of the arable land, deliver 21.2 per cent of the marketed grain. Tepicht concludes that the marketing ability of the State Farms equals that of the pre-war landed estates, and thereby justifies the existence of the State Farms. The only flaw in his argument – aside from the peculiarity of such a justification on the part of a Communist! – lies in the fact that the majority of the State Farms (73.7 per cent) are in the Western territories where private farms also deliver high grain surpluses to the market. Holding only 31.1 per cent of the arable land, private farmers in the Western territories market 65.4 per cent of the grain delivered by the private sector in all Poland.[48] It seems likely, therefore, that the superior marketing power of the State Farms is due as much to their geographical location as to their internal structure.

In addition, it should be noted that the State Farms have established their grain marketing record at the cost of a very poorly developed livestock, a condition which they have in common with the collectives. Whereas the small farmers, with 11.5 per cent of the arable land, possess 20 per cent of the pigs and cows, and all the independent farms, with 76.5 per cent of the arable land, raise 93.1 per cent of the cattle and 90.1 per cent of the pigs, the State Farms, with 12 per cent of the land, raise only 9.2 per cent of the

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[46] *Trybuna Ludu*, (Warsaw) December 31, 1953.
[47] *Ekonomista*, III, 1953, pp. 31-2.
[48] *Ibid*, p. 35. Tepicht's figures differ from those given above (Table 29) but the difference is slight, and either set would support his argument.

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pigs and six per cent of the cows. The kolkozes, with over six per cent of the land, raise less than one per cent of the cattle, pigs, and sheep. [49] The neglect of livestock is evidently characteristic of large-scale farming in Poland since the kulaks, who also produce a high marketable surplus, have also had negligible success in animal husbandry.

Despite these modifications, the State Farms have played a sizeable role in establishing the Communist-desired relationship between the town and country. It is also clear that, up to this point, the collectivized sector has played a very limited role.

Czechoslovakia

The data relating to sector-by-sector marketing in Czechoslovakia is, unfortunately, even more scattered than in Poland, and permits less conclusive inferences. For example, it is known that in 1950 the State purchased 46 per cent of the grain production of both sectors, collective and private. It is also known that in 1949 the farms of less than 10 hectares—virtually all the private sector—contributed only 33 per cent of their production to the State.[50] Therefore, it can be assumed that the "Socialist sector"—mostly State Farms in 1949, but including a large number of collectives in 1950—contributed a higher portion of its produce than did the private farms. Furthermore, in 1951 farms of under 10 hectares accounted for only 39 per cent of grain deliveries, so that presumably the larger farms contributed more than their proportionate share of the market.[51]

In 1953, according to official Czechoslovak statistics, the "Socialist sector," comprising over 50 per cent of the land, accounted for 51 per cent of the marketed grain, 46 per cent of the marketed cattle, 57 per cent of the marketed pigs, and 43 per cent of the marketed milk.[52] These figures suggest that the market benefits gained by the Czechoslovak State are quite modest, and frequent claims that the collectives fulfill quotas more fully than the private

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[49] *Trybuna Ludu*, December 31, 1953; Jan Wyrozebski, Radio Warsaw, January 22, 1954.

[50] *Rude Pravo*, (Prague) February 22, 1951.

[51] *Nova Mysl* (Prague), November, 1953. The farms under 10 hectares, comprising 51 per cent of the arable land, contributed only 39 per cent of the marketed grain while the collective farms in 1951, holding 19 per cent of the land, contributed 20.7 per cent of the marketed grain.

[52] *Zpravo Statniho Uradu Statistickeho* (Prague), January 31, 1954.

433 231 475 farms are not altogether true.[53] At the same time, the greater confidence the regime has in the capacity of the collectives to fulfill quotas is not altogether unjustified.

[231] Although the bulk of livestock in Poland is in the private sector, a sizeable portion of the livestock in Czechoslovakia is in the "Socialist sector." In 1952, 33.8 per cent of the cattle, 37.7 per cent of the hogs, and 38.7 per cent of the sheep were in the "Socialist sector."[54]

Although the Czechoslovak regime may have gained some market advantages from collectivization, its victory remains quite inconclusive. With the New Course, the regime, in turning to the private sector for agricultural reinforcement, acknowledged that the advantage gained was insufficient for its purposes.[55]

HUNGARY

423 433 The transformation of the agricultural structure in Hungary in 1945-46 was the most drastic of the post-war land reforms; and there is unquestionably a connection between the semi-revolutionary character of that agrarian reform and the special gravity of the Hungarian farm crisis in mid-1953. Whether this crisis had its roots in peasant hyper-sensitivity to the imposition of an overlordship resembling former conditions, or to the destruction of traditional trade relationships between town and country is not altogether clear; but that a close connection exists between the 1945-46 reform and the 1953 crisis is difficult to doubt.[56]

The impact of the 1945-46 reforms on the traditional trade

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[53] For example, *Rude Pravo* (December 4, 1953), asserted that the collective farms had fulfilled their quotas for grain by 103 per cent while the private farms had fulfilled their quota by only 77 per cent. A similar differential held for the fulfillment of meat, pork, and milk quotas.

[54] Cited in *Zycie Gospodarcze* (Warsaw), April 19, 1953, p. 484.

[55] As in Poland, the Czechoslovak New Course placed special emphasis upon protecting the productive capacity of the kulaks while at the same time, of course, limiting his alleged urge to engage in speculation and exploitation. "It would harm our agricultural economy," said Minister of Agriculture Uher, if the land which the kulaks occupied was not "fully utilized by them" (*Rude Pravo*, November 10, 1953).

[56] A subjective factor such as the peasants' degree of class consciousness is difficult to incorporate into an analysis of this type. However, without some recourse to this factor, it is difficult to explain the special depth of the 1953 Hungarian crisis, so much more pronounced was it than similar crises in the sphere. The series of articles in the Hungarian press during the fall and summer of 1953 portraying the countryside during the period of kolkhoz dissolutions certainly suggested that the Hungarian peasantry felt a hatred for their oppressors of an intensity hardly rivaled in the Sphere. It should not be forgotten that the strongest of the post-World War II peasant parties in the sphere was the Smallholders' Party of Hungary, which received 57 per cent of the vote in 1947 elections.

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relationship between town and country has received little attention, but evidence suggests that its effect was much the same as that caused by the peasant upheaval of Russia in 1917-18.[57] Pre-war Hungary's agricultural sectors participated in the market as outlined in Table 31. As in pre-revolutionary Russia, the large landowners accounted for a share of the market in excess of their share of total arable land. This superior capacity to market goods reflected, as in Russia, not greater production, but the ability to sell a greater proportion of what they produced. While the peasants marketed 47 per cent of their crop, the large landowners marketed 67 per cent.[58]

By dividing the land more equitably, the 1945-46 reforms upset the equilibrium of the pre-war system. As a result, a larger portion of the total product was consumed by the peasants, and a smaller portion sent to the cities. To rectify this situation, and to restore the cities to the dominant position they had once enjoyed, first the compulsory deliveries system, and then collectivization, were imposed by the Communists.[59] The rapid development of industry and growth of urban population made it imperative that a greater proportion of the produce be siphoned off the land than before the war.

But the Hungarian Communists have acknowledged that they were unable even to restore the pre-war level of land exploitation. The collective farm structure could not compensate for the loss of the large landholdings; and with the bad harvest of 1952, the agricultural situation grew desperate.

This failure was the subject of an extremely interesting analysis by the Communist theoretician, Mrs. Aladar Mod, published some two months prior to the official introduction of the New Course

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[57] It is perhaps significant that the two European countries which experienced a successful Bolshevik seizure of power at the time of World War I were Russia and Hungary.

[58] Mrs. Aladar Mod, *Tarsadalmi Szemle*, April-May, 1953. Most of the material concerning Hungarian market relations is taken from Mod's extremely interesting study published on the eve of the New Course explosion.

[59] In some countries (Czechoslovakia and Poland) the system of compulsory deliveries was taken over directly from the German administration after the war. It is interesting that the totalitarian regimes, faced by the same problems, so frequently work out similar solutions. Just as the Communists in Eastern Europe incorporated Nazi techniques into their apparatus, so the Nazis, when occupying Communist Russia, kept the kolkhozes intact and exploited them as the Communists had done. Like the Soviet planners, the Germans found the collectives to be eminently suited to the economic demands of a totalitarian state.

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TABLE 31

PRE-WAR AGRARIAN TRADE PATTERNS IN HUNGARY*

Sector	Percent of Holdings	Percent of Arable Land	Percent of Total Crop	Percent of Own Crop Marketed	Percent of Total Marketed
Small Holdings (Under 25 cad. acres)	94.0	48	51.6	47.2	43.6
Medium Holdings (25-200 cad. acres)	5.5	28	24.2	63.6	27.4
Large Holdings (Over 200 cad. acres)	0.5	24	24.2	67.0	29.0
TOTAL	100.0	100.0	100.0	55.9	100.0

* *Magyar Statisztikai Zsebkonyv*, (Budapest, 1948), p. 103; *Tarsadalmi Szemle*, April-May, 1953; *Hungarian State Yearbook*, Special Agricultural Issue (Budapest, 1935).

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into Hungary in July 1953. In it she pointed out that the "Socialist sector" produced approximately 10 per cent less for the market than the former landholdings of 200 cadastral acres. "The percentage of grain production for the market," she flatly concluded, after lengthy analysis, "is much lower than it was prior to liberation." As a result, grain exports had been drastically curtailed; yet even after this, the cities were still poorly supplied. Taking 1938 agricultural production as 100, current production has reached the following levels sector-by-sector:

	1938	1951	1952
Working Peasantry	100	130	109
Kulaks	100	46.7	23.4
Large-scale farms	100	73	74.3

The working peasants had increased their total yield because the land under their control had grown by 25 per cent. But theirs was the one sector incapable of substantially contributing to the market. The two sectors capable of supplying the market with a large surplus had declined seriously — the kulak sector in amount of land under its control, and the large landowners (now "Socialist") in general efficiency. The resulting trade relations are described in Table 32.

In each year the percent of the crop delivered by the kulaks excelled that of the "Socialist sector;" but in each year the kulak share of the total crop declined as the result of State encroachment on his land. Inevitably the total amount of grain delivered to the State declined because the "Socialist sector" was unable to make up the loss. Mrs. Mod herself summed up the crisis implicit in the situation these statistics describe:

> The number of small producers is now much larger than it used to be. The producer who used to produce for the market, produces doubly less today; and today they consume much more, and market much less than in the past. Our Socialist large-scale farms, partly for the same reasons and partly on account of their still-existing infantile disorders (inadequate management, lax labor discipline) are for the time being unable to make up for the shortage.

Mrs. Mod refrained from mentioning a third factor in the curtailment of marketed production: the stern refusal of the Communist industrial order to provide incentives for greater production and

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TABLE 32

POST-WAR AGRARIAN TRADE PATTERNS IN HUNGARY*
1949 - 1952

Sector	Percent of Arable Land	Percent of Total C...in Crop Produced	Percent of Crop Delivered to State	Percent of Total Grain Delivery
1949				
Working peasants' farms	75.5	82.1	38.3	75.3
Kulak farms	17.0	16.4	59.9	23.5
Socialist sector	7.5	1.5	81.7	1.2
TOTAL	100.0	100.0	41.7	100.0
1951				
Working peasants' farms	**	72.5	46.9	66.9
Kulak farms	**	10.1	66.2	13.2
Socialist sector	26.0	17.4	58.2	19.9
TOTAL	100.0	100.0	50.8	100.0
1952				
Working peasants' farms	**	69.6	41.7	61.4
Kulak farms	**	5.5	61.0	7.2
Socialist sector	34.5	24.9	59.6	31.4
TOTAL	100.0	100.0	47.4	100.0

* *Társadalmi Szemle*, April-May, 1953.
** Data unavailable.

greater trade with the cities. The drastic economic reforms initiated during the summer of 1953 were part of a frantic effort to correct this imbalance, an imbalance pronounced in Hungary and terribly aggravated by the disastrous 1952 harvest.

ROMANIA

The Romanian Government has been more secretive about internal market relations than any other Satellite, making conclusions even more difficult to draw. The "Socialist sector," including the "primitive" agricultural associations, comprise 25 per cent of the arable land. According to Premier Gheorghiu-Dej, this sector produces no more than 25 per cent of the total crop,[60] no more than its proportionate share of the arable land. This suggests that the

[60] Gheorghiu-Dej, *Scanteia*, August 23, 1953.

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"Socialist sector," despite its advantages, has given little benefit to the State in terms of marketed produce. The Romanian Council of Ministers frequently complains, as it did on January 28, 1952, that "in spite of all the important benefits given to the peasantry by the State . . . the market was not sufficiently supplied with agricultural products necessary to consumers and to industrial production."[61]

YUGOSLAVIA

The history of collectivization in Yugoslavia is so complex, and differs in so many respects from the course followed elsewhere in Eastern Europe, that comparisons are difficult. However, in certain fundamental respects, the initial collectivization drive (1948-1950) had the same goals as those guiding the Cominform bloc. No data on produce marketed are available; but production data indicate that in the years of collectivizing, the Government was successful at least in obtaining higher yields on its State and collective farms than from the private sector, and presumably was able to extract a large portion of that yield from the farms. Undoubtedly, this result was due in part to the ability of the Yugoslav regime to collectivize the fertile Vojvodina region (see Chart VII), where yield per hectare was traditionally high. But the "Socialist sector" also included a good deal of the poor and relatively unproductive land of Macedonia, and therefore Table 33, in which the proportion of grain produced by each sector is compared with the proportion of land held, is significant.

OVERALL MARKET PERSPECTIVE

Despite the sparseness and frequent unreliability of the statistical data employed in this analysis, some conclusions may be drawn.

1. In varying degrees, depending upon the country, collectivization in Eastern Europe has actually expedited extraction of agricultural produce from the countryside at the low price consistent with Communist industrial designs. While the system of compulsory deliveries at State-regulated prices was effective to this end, it left enough initiative and power in the hands of the peasantry to hamper the development of industry.

In Bulgaria collectivization results are the most impressive; in Czechoslovakia the gains are less impressive, but still significant. In Poland the regime has had to rely a great deal upon the surplus

[61] *Scanteia*, January 29, 1952.

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TABLE 33

GRAIN PRODUCTION IN YUGOSLAVIA – 1948 - 1951*
BY ECONOMIC SECTOR

(In percent of total production)

Year	Sector	Wheat	Rye	Barley	Oats	Total**	Percent of Arable Land***
1948/49	State	2.3	1.8	7.4	8.5	3.4	3.0
	Cooperative	14.2	11.6	15.1	16.4	14.4	10.0
	Private	83.5	86.6	77.5	75.1	82.2	87.0
1949/50	State	3.2	2.0	14.5	12.4	5.0	4.0
	Cooperative	23.2	24.0	25.4	28.7	23.9	16.0
	Private	73.6	74.0	60.1	58.9	71.1	80.0
1950/51	State	2.8	2.4	17.4	14.5	5.5	4.0
	Cooperative	25.3	28.4	28.3	30.0	26.3	19.0
	Private	71.9	69.2	54.3	55.5	68.2	77.0

* *Bulletin of Information and Documents*, (Belgrade), Vol. 1, No. 4, 1952, pp. 21-26.

** The total is derived from the combined tonnage of the wheat, rye, barley, and oats. Since the caloric value of a ton of wheat is greater than a ton of barley or oats, combining them all in one sum is deceptive. However, for the purposes of the above comparison the rough approximation of the "total" given, based entirely on tonnage, is sufficient. If potato production had been included in this table, then a caloric measurement such as the FAO used in establishing its "Wheat Equivalent Unit" (See Chart XIII) might have been employed, since the caloric content of a given weight of potatoes is only one-fifth that of an equivalent weight of wheat, whereas barley and oats are three-fifths.

*** The figures given for arable land in this table are estimates. Since grain production is given according to the agricultural year and the progress of collectivization according to the calendar year, it was necessary to interpolate the latter figures to accord with the former.

5: Free Europe Committee U-4 (no date) 1954 El Europe El

production of State Farms rather than the collectives, and, as in Hungary, kulaks and middle farmers continue to constitute a major source of marketable produce. In Romania the positive results of collectivization appear to be negligible, and, consistently enough, its industrial expansion has been quite modest. And in Hungary collectivization seems to have aggravated an already critical town-country relationship. But even in Hungary, and to a lesser extent Romania, the degree of peasant exploitation was sufficient to insure considerable urban development. 475 423 433

2. At the same time, it must be stressed, the evidence indicates that collectivization was by no means as successful as it was in the Soviet Union. This seems to be true both quantitatively (in terms of percentage of arable land absorbed) and qualitatively (in terms of reorientation of the market). It was not sufficiently comprehensive or intensive to facilitate the rapid increase in peasant exploitation which, from the regimes' viewpoint, justified the bloodshed and brutality of Communist agrarian policy.

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THE LEVEL AND CHARACTER OF THE COAL OUTPUT IN SILESIA HAS ALWAYS 316 433

been closely linked with political factors, which will continue to be of great importance in the future.

The peak production of the entire Silesian-Ostravan coal basin was reached under the German administration in 1943, when it yielded about 106 million tons of coal.[2] The decline of extraction began in 1944 and in 1945. With military operations being conducted in the basin itself, and the Red occupation gradually extending westward with all its overwhelming legal, administrative, and social consequences, the working of the mines was so disturbed that the basin produced only about 26 million tons. Since early 1946, however, the rise in production has been very rapid, particularly in Polish Silesia. The restoration of the productivity of the basin between 1946 and 1948 almost to its prewar level must be recognized as a remarkable technical and organizational achievement. The efficiency of the coal miners could not be raised to its prewar level (a characteristic feature of Communist economy) and the loss of many skilled miners, in particular those of German nationality, had to be made good by replacing them by scores of thousands of new, inexperienced men. The real difficulties began when the Warsaw and Prague governments were assigned the task of reaching the wartime peak of coal extraction and exceeding it within the frame of the Czech Five Year Plan and the Polish Six Year Plan. Even so the output of the mines kept growing, though at a slower rate, and in 1950 reached about 87 million tons (73 million tons in the Polish and 14 million tons in the Czech part of the basin), an increase over the 1937 figure.[3] Late in 1950 coal mining in the Ostravan part of the basin met with serious difficulties due to the shortage of manpower: the Czechs, like the French, and lately the British, dislike being coal miners. In the middle of 1951 these difficulties spread to the Polish part of the basin in the wake of food shortages. The subject is discussed in more detail later in this study.

According to the long-term plans, the output of the Silesian basin is expected to exceed the 1943 peak and to reach at least about 112 and perhaps as much as 118 million tons: 92 to 95

316 million tons in Poland by 1955, and 20 to 23 million tons in
● 433 Czechoslovakia by 1953. It can be assumed in advance that every effort will be made to fulfill the Polish plan ahead of schedule, probably by the end of 1954.

The Silesian coal fields are the basic source of hard fuel for the captive area as such and in particular for the two countries which share the basin. But there are in captive Europe a number of minor coal fields spread over this area outside of Silesia, whose joint output represents about one sixth of captive Europe's total production of coal. Even though their 1950 production did not exceed 14 million tons, the secondary coal basins of captive Europe are of decisive importance for such branches of industrial activity as cannot use lignite profitably as hard fuel, and because of their geographical location. In particular, a dozen or more iron and steel plants in Eastern Germany, Western Bohemia, Hungary, and Rumania, situated outside the Silesian-Ostravan basin or even far from it, largely depend on the supply of local coal in their operations.

Among these minor coal basins the following should be noted:

1. The Lower Silesian coal basin in Poland on the northern slopes of the Sudeten Mountains, also known as the Wałbrzych (Waldenberg) basin, with a present output of about 5 million tons of high grade coking coal;

2. The Zwickau-Oelsnitz basin in Saxony, with a present output of roughly 3 million tons;

3. The four minor coal producing areas in Bohemia (Kladno, Plzeň, Trutnov and Rosice basins) with a present joint output of some 4 million tons;

4. Several minor coal fields in Hungary, Rumania, and Bulgaria, with a total present output of about 2 million tons of hard coal.[4]

Since 1949 great efforts have been made to increase the production of these minor basins up to a joint level of approximately 20 million tons of coal at the end of the current long-range economic plans. Judging by the indices of production published by the satellite governments, the progress in these coal fields

is uneven. The best performance to date has been that of the Saxon basin; the Hungarian and Rumanian output, though lagging behind the inflated annual plans, is described as growing rapidly; the Lower Silesian basin in Poland, where huge investments in machinery are being made, is apparently working in a satisfactory way; the secondary Czech coal fields were in the fall of 1951 several percent behind the prescribed targets.[5] The food crisis of 1951 is having a pronounced adverse effect upon the productivity of the minor Czech and Hungarian coal basins and may lessen that of the Lower Silesian and Rumanian mines. It may be assumed that if all these minor coal basins are capable of much development and extension, only some of them will be able to fulfill on schedule the very high quotas of production set by Moscow.

To sum up, at the end of the present long-range plans, that is on the average by the end of 1954 or beginning of 1955, the entire extraction of coal in all the basins of the captive area is expected to reach about 133 million tons and possibly a few million more.[6] This global target exceeds the prewar output of the Ruhr basin, and is equal to the output of the Soviet Union in 1938; it would be very much larger than the present output of the Donets basin in the Ukraine, estimated at less than 100 million tons.[7] The target of 133.5 million tons can also be compared to the output of bituminous coal in Pennsylvania in 1942 which reached 143 million tons.

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LIGNITE

135 THE term lignite or brown coal[8] covers a number of class D
● 433 coals (international classification of 1913) of comparatively low caloric value. This does not mean that all lignites are poor quality coals; on the contrary, some of them, mined in Czechoslovakia, Hungary, Rumania, and Bulgaria, are "rich" lignites whose caloric value often reaches that of the class B semibituminous coals. That is why they are so often classified together with hard coal in local statistics. A British authority on coal, Sir Richard Redmayne, says that 2.8 tons of German lignite are equivalent to one ton of hard coal; according to the *Economic Survey of Europe in 1949*,[9] that ratio should be 4.5. The latter source says that 1.7 tons of Czech lignite and 3 tons of that from unspecified "other countries" are equivalent to one ton of hard coal. The last ratio seems to be too general because much of the Danubian-Balkan lignite is as good as the Czech. These discrepancies between qualified authorities are cited here as proof that an exact evaluation in terms of coal of the total caloric value of the lignite produced by the captive part of Europe is very difficult.

It should be borne in mind that lignite is a specifically mid-European type of fuel. In 1947-1949, the last years for which complete statistical data are available, no less than 65 percent of the world production of lignite, except that of the Soviet Union, was concentrated in the present captive area of Europe. This percentage may be even higher today; the extraction of lignite is growing in the captive area while, with a few exceptions (Western Germany, Yugoslavia, Australia) it remains stationary elsewhere.

The bulk of mid-European lignite used to be consumed in the production of electric power or converted into briquettes whose

135 total output of Germany, again mainly Eastern, reached 250.7
● 433 million tons. The total 1943 output of lignite in the present captive area may be estimated as exceeding 200 million tons. In 1948 all these figures were much lower (except in Polish Silesia, which produced about 4 million tons) but had a marked tendency to increase. In 1949 Czechoslovakia produced 26.5 million tons of lignite, Hungary 5.5 million, Poland 4.6 million, and Rumania 2.8 million. The official figure of lignite production in Eastern Germany in 1950 was 137 million tons, and the total output of this fuel in the captive area could be estimated as reaching 185 million tons.

[185] The plans for 1953-1955 are as follows: Bulgaria is expected to produce 6 million tons of lignite in 1953, Czechoslovakia 38.8 million in 1953, Eastern Germany 225.2 million in 1955,[11] Hungary 25 million in 1954, Poland 8.4 million in 1955, and Rumania 7.7 million in 1955. The Czech and Eastern German targets are very high in comparison with their past and present output, and the Hungarian target seems to be unrealistic. Anticipating that the three plans to be terminated in 1955 may in fact be implemented earlier, a tentative figure of some 310 million tons of lignite may be accepted as that of the total output of lignite in the captive area to be achieved by the end of 1954 or the beginning of 1955. According to the ratios accepted by the *Economic Survey of Europe*, these figures would represent the equivalent of about 50.1 million tons of hard coal in Eastern Germany, 22.7 million tons in Czechoslovakia, and 12.1 million tons in the remaining four countries of captive Europe — a total of about 85 million tons. If other ratios were accepted as a basis for this computation, the total would be very much larger.

Together with the 133 million tons of hard coal which is the 1954-1955 target of the captive area, the grand total output of hard fuel for that area anticipated by 1954-1955 comes to 218 million tons of coal or coal equivalent, or more if the higher ratios of conversion are applied. Taken at its minimum, the goal of 218 million tons of coal or coal equivalent exactly coincides with the coal production of the United Kingdom in 1949, which was 218.5 million tons.

Unfortunately it is impossible to compare the present or planned global output of both coal and lignite extracted in the captive area of Europe with the corresponding output of the Soviet Union. The Soviet statistics do not make a distinction between coal and lignite, although there is considerable difference between the caloric value of anthracite extracted in the Donets basin, for instance, and lignite from the so-called Moscow basin or several other basins located in Asiatic Russia. The entire coal and lignite production of the Soviet Union in 1950 was 264 million tons, and that projected for 1960 is 500 million tons.[12] Both these figures include far more coal than lignite, but the exact ratio between the two types of hard fuel is not available. The anticipated production of 133 million tons of hard coal and 310 million tons of lignite in the captive area by 1954-1955, a total of 218 million tons in coal equivalent, can be put side by side with a tentative figure of some 380-390 million tons of coal and lignite which Soviet Russia expects to extract by the same time.[13] The Soviet figure is undoubtedly larger than that of captive Europe, but it would be hard to say what percentage the latter would represent of the former — perhaps 55 or 60 or even 65 percent. The only really valid conclusion is that hard fuel produced in the captive area constitutes an extremely significant addition to that mined in the Soviet empire proper.

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COKE

135 WHILE at least two thirds of the Ruhr coal is of coking quality
● 433 and thus can be used for steelmaking, this is not the case with the Silesian coal, only one third of which can be converted into coke. Moreover, the deposits of coking coal are concentrated in the western part of the Silesian-Ostravan basin. As a consequence, before World War II the German and Czech Silesias could produce much more coke than Poland in the eastern part of the basin. This situation has changed completely since the incorporation of German Upper Silesia into Poland. Outside the main Silesian-Ostravan basin there is much high grade coking coal in Lower Silesia, now Polish, and some in the secondary coal fields in Eastern Germany, Bohemia, Hungary, and Rumania. All in all, in comparison with Western Europe, the captive area is relatively poor in coking coal.

In 1929 Czechoslovakia produced 3,350,000 tons of coke, Poland 2,123,000 tons, and Rumania 72,500 tons; the output of Eastern Germany, which included German Silesia, was some 6,000,000 tons; that of Hungary was negligible, and Bulgaria produced no coke. The peak of war production in Eastern Germany was achieved in 1943, and in Czechoslovakia in 1944, when production reached almost 5 million tons. The last published figures of postwar coke production in Czechoslovakia date from 1948, when it reached 4,940,000 tons, and in Poland from 1949, when it reached 5,720,00 tons. Little coke was produced by the remaining captive countries, and figures pertaining to their output are not available.

Since 1948-1949, when long-range plans were launched for an extensive development of the steelmaking capacity in the captive area, the problem of its coke supply became more difficult. Eastern Germany, Hungary, and Rumania have to import

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coke from Poland and Czechoslovakia in order to cope with the demand of their steel plants, which have been rebuilt and are being extended. The exportation of coke interferes with the heavy requirements of the huge steel plants in the Silesian-Ostravan basin and puts much strain on the overworked railroad system of the captive area. As noted previously, the coal-poor countries of the area have to concentrate upon finding a practical method of converting lignite, of which they have much, into coke. It is probably premature to say that this problem has been successfully solved, or that lignite coke about to be produced on a large scale in Eastern Germany and Hungary will be as satisfactory for steelmaking as "ordinary" coal coke. Still, this minor technical revolution seems to be well on its way.

Not all satellite governments have disclosed their long-range targets for coke output. Among the large producers of coke, Poland expects to produce 9.9 million tons of coke in 1955 (in fact, earlier) and Czechoslovakia 8 million tons in 1952. This large increase of coke-making capacity cannot be achieved without the erection of many new coke plants. Several such plants of a very large size have already been put into motion in the Silesian-Ostravan basin or are still under construction. Eastern Germany anticipates for 1955 a production of 1.7 million tons of the new lignite coke[14] and of an undisclosed amount of coal coke which, on the strength of indirect indices, could be estimated at about 1.3 million tons. Rumania plans to produce 0.7 million tons of coke in 1955. The Hungarian target has never been disclosed — it cannot be high — and that of Bulgaria is negligible. It can be very tentatively estimated that the entire captive area expects to produce some 23-24 million tons of coke by 1954-1955.[15]

This tentative estimate may be compared with 19.9 million tons of coke produced by the Soviet Union in 1936 (the last known figure), and 44.3 million tons which was the top wartime production of Germany in 1943. France, without the Saar, produced only 8.2 million tons of coke in 1949.

It should be borne in mind that an average of about 1.4 tons

135 of coking coal are required to produce one ton of coke, and
● 433 somewhat over one ton of coke to make one ton of steel.[16] In the light of these figures, should the captive area of Europe produce, as it plans, 23-24 million tons of coke by 1954-1955 — which depends on the amount of coal it will mine — it would have little difficulty in covering the requirements of its planned production of steel, estimated at about 16.5 million tons by 1954-1955.

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— including Albania — and exploiting them to the utmost of their capacity. Since then, except for the insignificant Czechoslovak and Polish oil fields which are run by local governments, the really large captive oil fields have been operated by Soviet or mixed semi-Soviet companies. This means that they are managed by Soviet specialists using Soviet machinery and installations, according to the Soviet methods of extraction, which the Russians regard as more progressive than those used in the West. A huge and ever growing amount of money and energy is being invested in the extention of the existing fields and the search for new ones. The Soviet idea seems to be that the foreign companies which operated the oil fields in the captive area in the past were only looking for immediate profits and never did their job properly and that there is bound to be more oil all over Middle Europe. Insofar as Rumania and Hungary are concerned, the results of the Soviet efforts cannot be considered remarkable. The output of Hungary remains stationary, while in Rumania, partly because of Russian haste and the harshness of their methods, there have been until the present time constant difficulties of every kind with machinery, organization, and manpower — perhaps even some sabotage.[21] The best proof of this is the fact that no statistics on oil production in absolute figures have been officially published in Rumania since 1947; had there been good reason for boasting, the figures undoubtedly would have been made known. On the other hand, there is much evidence that the Russians have been more successful in Albania, and even more so in their zone of Austria.

The present rate of oil output in Rumania, and for that matter in most of the other captive or Soviet-controlled countries (there is no oil in the Soviet zone of Germany), is the subject of much speculation.[22] Every authority has its own set of estimates, and there are surprising differences between them. Only a few of these diverging estimates can be quoted here. Thus the *Economic Survey of Europe in 1950*, an official publication of the United Nations — bound as it is to accept the indices occasionally given by the satellite governments and to draw its conclusions from

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them — estimates that in 1950 the Rumanian output of crude oil reached 5.35 million metric tons, that of Hungary (which lagged behind its plan for 1950) 0.55 million, of Poland 0.18 million, and of Czechoslovakia 0.05 million metric tons. Together with the Soviet zone of Austria, whose production the *Survey* estimates at 1.5 million tons, the total 1950 output of the captive area should have reached 7.63 million metric tons — plus that of Albania, for which the *Survey* gives no figure.

According to the other authoritative sources, the above-quoted figure on the Rumanian output reflects the nonfulfilled plans of the Rumanian government rather than the actual level of production. Competent Rumanian experts residing in the United States claim that the 1950 oil output in Rumania did not exceed 4.2 or perhaps even 4.0 million tons.[23] On the other hand, it is possible that the *Survey* underestimated the output of oil in Austria and Czechoslovakia. Thus, according to accredited American sources with access to much special information, the 1950 output of oil in the Soviet-controlled section of Europe was: Albania, 1,915,000 metric tons; Austria, 2,247,000 tons; Czechoslovakia, 275,000 tons; Hungary, 490,000 tons; Poland, 138,000 tons; and Rumania, 4,360,000 tons — a total of 9,415,000 metric tons. This total is larger than most of the other estimates because of the high figures for Austria and Czechoslovakia, and in particular because of the surprisingly high figure for Albania.[24] It should be noted that the corresponding figure for the Soviet Union in 1950 is presumed to have been 37,600,000 metric tons. If the above-quoted American estimate is exact, it would mean that the output of oil in the captive part of Europe amounts to as much as one fourth of that of Russia proper.

Whatever estimate is accepted for 1950, it may be assumed that the 1951 output of oil in captive Europe will be somewhat larger. It is true that according to official admissions the 1951 oil production in Czechoslovakia and Hungary has been lagging behind the plan, but this does not necessarily mean that it has fallen below the level of the preceding year. On the other hand,

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it is claimed that by the middle of 1951 the Rumanian output was 19 percent larger than by the middle of 1950, and the Polish output in the third quarter of 1951 was 11 percent larger than that of the third quarter of 1950.[25] Moreover, new oil fields were discovered recently in the Soviet zone of Austria at Schwardorf south of the Danube, opening up, it is asserted, "fantastic possibilities" for the future.[26]

It is not easy to have an accurate idea of how much oil should be extracted in the captive part of Europe in the light of the investments and other measures foreseen in the long-range economic plans. The current plans anticipate that in 1955 Rumania should produce 10 million metric tons and Poland about 0.4 million; Czechoslovakia plans to extract 0.15 million tons by 1952. The planned figure for Hungary has never been disclosed, and neither have been those for Austria and Albania, both of which produce oil for the Soviet Union. Yet it is certain that the Soviet authorities operating the oil fields in the three last-mentioned countries *must* have definite targets which they have to reach by the end of 1954, when most of the present long-range economic plans of the captive countries will, in fact, terminate. These targets, together with the three disclosed ones, may add up to any figure between 13 and 16 million metric tons of oil; that is, between about 94 and about 115 million barrels — an output depending on many unpredictable elements. A tentative figure of 13 million metric tons to be reached by 1954 has been adopted in this study as a basis for further computations.[27]

This estimate for 1954 — which may be a low one — should be compared with the 60 million metric tons of crude petroleum the Soviet government expects to extract in 1960.[28]

To the tentative figure for 1954 should be added the growing output of synthetic oil produced in the northern part of the captive area.

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NATURAL GAS

IN Europe, even more than in America, most of the natural gas extracted as a by-product of oil refining had been for a long time wasted, and its utilization for lighting, fuel, and extraction of natural gasoline is a comparatively new process. International statistics do not exist for its production but only for its consumption in the given states, which is supposed to be equal to its effective collection within the same boundaries.[29] In 1930 Rumania, with its consumption of 1,206 million cubic meters of natural gas, and Poland, with 487 million, were responsible for nearly one hundred percent of the total European output of this gas. Several long-distance gas pipelines were laid in Rumania. The pipeline connecting Daszawa in the Polish oil fields with Warsaw was still unfinished by September 1939; the Russians redirected that line to Kiev. During World War II the extraction of natural gas was started in the present Russian zone of Austria and in Hungary.

The last known statistics for gas production in absolute figures in Rumania date from 1947, when it reached 1,176 million cubic meters; in Poland (which lost to Russia two thirds of its oil fields) from 1948, when it was 162 million cubic meters; and in Hungary from 1947, when it was 100 million cubic meters; and in Austria from 1949, when it was 59 million cubic meters. The Rumanian output was then small in comparison with its peak in 1936, when it reached 2,130 million cubic meters. Since 1947-1949 no figures for natural gas extraction have been published by any captive or Soviet-controlled country, and some of the percentile indices disclosed by these countries are contradictory. There are reasons to assume, however, that there has been since 1947 a steady though slow increase of that production in Hungary and a much more rapid one in Poland and Rumania.

315 185 ● 433 Thus, the increase of Polish production in 1950 over that in 1949 was officially described as "an enormous jump" and the output of gas in the third quarter of 1951 was alleged to have been 173 percent of that the whole year before. In Rumania the 1950 output increased, according to the official press, by 24 percent in comparison with that of 1949, and the output of the first half of 1951 was alleged to have been larger by one third than that of the first half of 1950.[80] It is not possible to check these assertions, but they may correspond to the truth. Rumania would not be building three plants for the chemical processing of gas unless there were good reasons for expecting an increase in the extraction of gas.

[185] According to their long-range plans, which officially terminate in 1955 but are expected to be fulfilled by 1954, Rumania anticipates extracting 3,900 million cubic meters of natural gas, and Poland 480 million meters. These targets are moderate in comparison with those foreseen for oil extraction. The Hungarian target for 1954 is unknown, and so is the Soviet plan for Austria. The Czech output is negligible. A hypothetical figure of some 5,000 million cubic meters of natural gas, almost entirely dependent on the unpredictable Rumanian output, is the best that can be surmised for the entire captive area in 1954.

Poland alone anticipates the construction of eleven large mines with a total annual output of 9 million tons of coal, and 36 extensions of the existing mines with an output of 14 million tons. Of the former, 8 mines are presently under construction, each of them expected to produce 6 to 10 thousand tons of coal daily.[71] More money was invested in Polish coal mining in 1950 than during the years 1945-49 inclusive, and the 1951 investment is far larger than that of 1950.[72] Similar investments in the other captive countries are being made with increasing rapidity.

While the output of coal has been stimulated by all these methods, efforts are being made to restrain the consumption of coal and to insure more efficient utilization. Since the middle of 1950, saving coal, in particular coal of good quality, has become one of the basic aims of the captive area's economy. The daily press eulogizes engineers and technicians who manage to operate factories and run trains on minimum quantities of coal or on low grade coal. All over the captive area, railroads and industrial plants substitute lignite or coal waste for hard coal fuel. In Soviet Berlin alone, the substitution of lignite for coal at the Klingenberg power plant will result in the saving of 500,000 tons of hard coal per annum.[73] At the same time electrification is being speeded up, since it will result in a lesser expenditure of fuel. During the last war, when the Nazis were faced with a grave fuel shortage, the "heat-engineers"[74] charged with this problem by the minister of armaments, Speer, introduced far-reaching improvements in the exploitation of the hydroelectric and thermal plants and saved up to 50 percent of the fuel and current.[75] Many of these men are available behind the Iron Curtain and, together with their colleagues from the other captive countries and with Soviet advisers, they are doing their best to wring the most they can from the local resources. When Selbmann, minister of heavy industry, states that the Eastern German thermal plants have reached the outside limit of load capacity,[76] the statement must be taken at its face value.

This analysis of the situation seems to lead to the conclusion that under "normal" conditions the Communist regimes of cap-

316 tive Middle Europe can gradually increase their output of coal,
● 433 and thus can assure a constant growth of their basic source of industrial energy. Much progress in that direction can be made through high investments and multiple technical improvements, as well as by better organization of production. But the "normal" conditions presuppose that the targets for coal output remain within the range of feasibility and the miners are assured of a minimum acceptable standard of living. In the course of 1951, either one or both of these conditions were not kept by most of the satellite governments, and the planned output of coal is at present exposed to considerable danger.

In February-March 1951, under relentless pressure from Moscow, the Czechoslovak and Hungarian governments were forced to decree a notable speed-up of their long-range industrial plans, equivalent to boosting their annual quotas of production from the beginning of 1951. The Czech 1953 target for coal has been increased from 20.8 to 25 million tons and that of lignite from 32.2 to 38.6 million; the Hungarian 1954 target for both coal and lignite from 24.2 to 27.5 million tons. *Ipso facto*, the annual targets for 1951, 1952, and future years, have been boosted accordingly. Since the old targets were already high, it is perfectly legitimate to doubt whether these new plans can be fulfilled in time. In the light of recent statistical data, Czech coal mining is fulfilling the old plan but not the inflated new one. The same seems to be true in Hungary.

433 Quite apart from the real or apparent unfeasibility of the
511 two coal plans in question, the recent acute food shortage in
466 most of the captive area (except in Eastern Germany and possibly Bulgaria) has resulted, since the early fall of 1951, in an appreciable lowering of the standard of living of all industrial workers, and of coal miners in particular. The reasons for this food shortage are many: one of them is a long period of drought in most of the captive area and the consequent loss of much of the potato crop, the staple food of the population. Even if the bread grain crops were satisfactory, the shortage of potatoes would be a major calamity for men and animals alike, and by

itself would lead to a shortage of meat, especially pork. This current emergency caught the satellite governments unprepared, the more so because they had been stripping their countries of foodstuffs by military stockpiling, sending vast amounts of meat, sugar, and other staples to Russia and Red China, and antagonizing the peasant producers of food by ever increasing taxes, supply quotas, and other forms of persecution and chicanery. The net consequence of such policies and practices is that in many industrial areas of captive Middle Europe the people have had very little meat since the summer of 1951. Their supply of sugar, vegetables, and potatoes has also been very short. The Polish, Czech, Hungarian, and Rumanian coal miners were already badly housed, badly clothed, and overworked. Now they are also badly fed, and they may be — or actually are — incapable of working as much as is expected. The lowered efficiency of the miners means less coal and less coal means in turn less electric power, less machinery, and less chemicals. A shortage of fuel may be equivalent to a nonfulfillment of industrial targets all over the four countries in question.

Statistical data naturally lag behind the real situation in industry. At the end of 1951 the available statistical figures were not yet fully reflecting the most serious consequences of the food crisis. However, they were indicative of a trend toward a depression in coal mining.

In Poland the coal target for the third quarter of 1951 was not fulfilled, and the actual production was only 2 percent higher than a year before, instead of the expected 5 to 6 percent. During the first half of 1951 coal extraction in Rumania was nearly 8 percent behind the plan, although it was claimed to be 26 percent above the output during the corresponding period of 1950. In the same period in Hungary coal was 6 percent behind the schedule, although again production was claimed to be 22 percent higher than 1950. In Czechoslovakia the slump in coal production was much more pronounced. It began by a temporary failure of production towards the end of 1950; even though it was overcome, the Czech government found itself unable

316 to supply adequate supplementary manpower to the coal mines. ●433 In the third quarter of 1951 the joint coal and lignite plan was fulfilled only by 91 percent. Lignite mining was more or less satisfactory, but coal mining (in particular in the important Ostrava-Karvinna coal basin) was actually on the verge of a possible breakdown; by the end of October 1951, Czech coal production was 1.3 million tons behind schedule. Eastern Germany alone was implementing its coal plan.

[466] Faced with a direct threat to their planning, the satellite governments took, towards the end of 1951, a series of harsh steps. Their object was to assure higher wages and a better diet for the coal miners and to prevent the increasing absenteeism and bad discipline in the mines, as well as the increasing fluidity of manpower (in particular in Czechoslovakia and Hungary). Under the impact of these measures, the production curve in the all-important Silesian-Ostravan coal basin went upwards again in November and December 1951. It is possible that the Polish coal target for 1951 (somewhat above 83 million tons) was reached before the end of the year. It is doubtful, however, that the Czech target was reached. In the first weeks of 1952 it is too early to say whether this new production rise is temporary or permanent. It depends very largely on the supply of foodstuffs. The police states have at their disposal many effective methods of dealing with critical situations, but they cannot produce foodstuffs at will. It took the Soviet government years to overcome a similar situation in the Donets basin coal mining.

316 The production of lignite in the captive area is far less difficult for the satellite governments, in particular for Eastern Germany, which mines several times more lignite than all the other countries of Middle Europe combined. The explanation lies in the technique of extraction. The deposits of lignite generally lie close to the surface of the ground and can be worked by stripping and scraping from open mines, or they are covered by a shallow overburden[77] that must be removed before the mineral can be mined, as is true of some coal deposits in the United States. Only one fortieth of the nearly unlimited reserves of lignite in Eastern

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more favorable: although the output of black and brown coal was also lagging behind schedule, its extraction in the second quarter of 1951 was claimed to have exceeded that of the second quarter of 1950 by 26 percent (*Gospodarka Planowa*, 1951, No. 10). No detailed data are known for coal extraction in Bulgaria.

[6] 100 million tons (according to some indirect indices, 103 million) in Poland, 25 million in Czechoslovakia, 3.5 million in Eastern Germany, about 3 million in Hungary, about one million in Rumania, and about 0.5 million in Bulgaria. The Eastern German target, originally set at 4 million tons, was subsequently reduced to 3.5 million tons (the Law of 1 November 1951, *Wirtschaft*, Berlin, 1951, No. 44) — the only known instance of this kind. Yet various utterances of the chief planners in Poland and Rumania, and of Eastern Germany as well, leave little doubt that the long-range economic plans of these countries, supposed to terminate by the end of 1955, will be accelerated by one year, as has already happened with the Czechoslovak and Hungarian plans. In anticipation of that step, the writer assumes throughout his study that the figures of planned output in Eastern Germany, Poland, and Rumania in 1955 in fact pertain to 1954. An arbitrary but plausible figure of one million tons increase in the coal output in Czechoslovakia has been accepted for 1954 in comparison with the output planned for 1953.

[7] London *Economist*, 24 February 1951. According to the Soviet Fourth Five Year Plan, that figure should have been 86 million tons. Since the plan was overfulfilled, it was probably larger.

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[8] Most of the descriptive data on lignite comes from an exhaustive study by Sir Richard Redmayne, *Encyclopædia Britannica*, 1943, Vol. V. p. 878 ff.

[9] United Nations, Geneva, 1950, p. 231.

[10] Redmayne, *op. cit.*

[11] In its original version of 1950 the Eastern German Five Year Plan foresaw a production of 205 million tons of lignite by 1955. The new figure of 225.2 million tons in 1955 comes from the revised version of the plan as adoped in the law of 1 November 1951, (*Wirtschaft*, Berlin, No. 44, 2 November 1951).

[12] The first figure is based on the indices of the coal production in 1951 in comparison with the preceding years, as published by the Soviet press. The second comes from Stalin's speech of 9 February 1946.

[13] In his speech of 7 November 1951, Beria stated that in the course of the past several years the output of coal in the Soviet Union has been growing on the average of 24 million tons per year. (*Pravda*, 7 November 1951).

[14] The vast Lauchhammer lignite coking plant now under construction (and possibly some other new plants) is expected to produce 300,000

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tons of coke in 1952, 1,300,000 tons by 1953 and 1,700,000 tons by 1955 (speech of 31 October 1951, by Heinrich Rau, Eastern German minister of planning, *Wirtschaft*, Berlin, 1951, No. 44). However the rapidly growing requirements of the new Eastern German metallurgic plants cannot be satisfied by the two locally produced types of coke and a large importation of coke from Poland. In its four year trade agreement with the Soviet Union of 27 September 1951, the Eastern German government assured itself the importation of 250,000 tons of coke from Russia annually for the period 1952-1955 (*Wirtschaft*, Berlin, 1951, No. 42).

[16] An estimate of the writer, based on the assumption that most of the hard coal extracted in Eastern Germany and Hungary, as well as in Rumania, will be converted into coke. Thus, the huge steel plant at Dunapentele (Stalinváros) in Hungary, now under construction, is expected to be run on Hungarian produced coke, converted from the local Pécs coal. The demand for coke by that plant alone may exceed one million tons.

[17] *European Steel Trends*, United Nations, Geneva, 1949, p. 40.

[18] An unpublished study on Czechoslovak industry by Dr. V. Paulat of New York.

[19] National Economic Plan for 1951, *Dziennik Ustaw* (Journal of Laws), Warsaw, 31 March 1951.

[20] Heinrich Rau, speech of 31 October 1951, *Wirtschaft*, Berlin, 1951, No. 44.

[21] A conservative estimate of the writer.

[22] See the *Information Bulletin* of the Rumanian National Committee, Washington, for 1950 and 1951, and *La Nation Roumaine*, Paris, *passim*.

[23] Here are some of the non-quoted estimates: the *Review of International Affairs*, Belgrade, 28 March 1951 — 3.5 million tons; *World Today*, London, Royal Institute of International Affairs, April 1951 — 3.8 million; *Etudes et Conjonctures*, Paris, a semi-official publication, January-February 1951 — 4.3 million; *Gospodarka Planowa* (Planned Economy), Warsaw, February 1951 — 5.46 million tons. The Belgrade magazine is biased.

[24] The first figure comes from the Rumanian National Committee, *supra*, the second from Dr. G. G. Rosu.

[25] According to the *Wirtschaftsdienst*, Hamburg, June 1951, Albania planned to extract 306,000 tons of oil in 1950. According to Musil, the Albanian correspondent of *Wirtschaft* (Berlin, No. 48 of 30 November 1951), the Albanian extraction of oil reached 192,000 tons in 1948 and increased to 307,000 tons in 1950.

[26] Figures taken from recent official reports.

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1. It may be taken for granted that every effort will be made to fulfill the Eastern German, Polish, and Rumanian plans one year ahead of schedule, that is, by the end of 1954 or beginning of 1955.

2. It may be expected that, having fulfilled its plan for power by the end of 1951, Bulgaria will launch a new plan which may aim at an output of about one billion *kwh* more by the end of 1954 or the beginning of 1955 — an entirely justified supposition.

3. It is true that the output of 16.5 billion *kwh* which Czechoslovakia plans to reach in 1955 cannot be accepted as its target for 1954 or beginning of 1955, and a much lower figure should be taken instead.

4. But the larger Bulgarian and the lower Czechoslovakian figure may compensate one another, especially if a lower figure of the Hungarian output in 1954 (6,000 million *kwh* instead of 6,500 million) is accepted as the basis for the tentative computation.

Under the circumstances the writer regards the mere arithmetic sum of the six national targets, equivalent to more or less 82 billion *kwh*, as an entirely acceptable hypothesis: the margin of error should not exceed one billion *kwh*.

[60] Harry Schwartz, *New York Times*, 23 January 1951.

[61] Estimates of the writer.

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[62] *Economic Survey of Europe in 1949*, United Nations, Geneva, 1950, p. 231.

[63] 82 billion *kwh* represent the equivalent of somewhat over 50 million tons of coal (1,590 *kwh* equivalent to one ton of coal, see footnote 62). This figure corresponds to a general figure for Europe; see p. 12 of the same *Survey*.

[64] Estimates of the writer.

[65] Silesian coal has been exported for generations, and trade in it flourished between the two World Wars. Industrial production and railroad transportation in the countries named depend to some extent on the specific technical quality of Polish coal.

[66] 800 million *kwh* from Hamburg and West Berlin, according to *Wirtschaftsrevue*, Karlsruhe, 15 December 1950. See also footnote 14.

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[67] *Trybuna Ludu*, Warsaw, 1951, No. 53.

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[68] *Statistical Yearbook of Poland*, 1939, p. 239; also *European Steel Trends*, United Nations, Geneva, 1949, p. 51.

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[69] Evaluation by Alfred Zauberman, *Dziennik Polski*, London, 1951.

[70] The production of the Donbas combines began in 1951 at the Piotrowice plant of heavy mining machinery in Poland (*Wirtschaft*, Berlin, 1951, No. 32) and in at least one of the corresponding plants in Czechoslovakia.

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[71] *Trybuna Ludu*, Warsaw, 1951, No. 160.

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years after the beginning of the Russian occupation. The fear that the revolutionary enthusiasm of the Bulgarian masses (which, except in Yugoslavia, was unparalleled in this region after the war) would lead to too much independence of Russia, and the Russian bureaucracy's confidence that nationalisation could be carried out whenever they wished, caused them to postpone it until the revolutionary wave had ebbed at the end of 1947.

The timing of nationalisation in Rumania, Hungary and Bulgaria was determined by another very important factor—the Marshall Plan. The urge to trade with Western Europe, as expressed in the *unanimous* decision of the Czechoslovak government on 4 July, 1947, to take part in the Marshall Conference (a decision revoked when Gottwald and Masaryk visited Moscow on 10th July) made it necessary for Russia to strengthen her control over the economy of Eastern Europe, and this could be done only through state ownership of industries in all these countries. Hence the nationalisations in Bulgaria, Rumania and Hungary.

Poland

It is impossible to understand the process of nationalisation in Poland without taking into account two factors, namely, in the area of pre-war Poland, the existence of many industries previously controlled by German capital now remaining ownerless, and, what is even more important, the changes in Polish industry brought about by the annexation of the German area east of the Oder-Neisse and the expulsion of the German population from it. This area will be referred to as the Western territories of Poland, and the area of pre-war Poland as Old Poland.

The importance of the industry of the Western territories compared with the industry of Old Poland is shown by the following table:

ACTUAL PRODUCTION IN 1937 (IN THOUSAND TONS)

	Pre-War Poland	*Western Territories*
Coal	36,218.0	29,793.0
Coke	2,328.0	3,229.0
Briquettes ..	17.4	368.6
Brown coal ..	18.4	7,594.0
Zinc and lead ..	800.0	782.1
Iron ore	791.6	73.1

(*The World Today*, March, 1947)

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CHAPTER III

SCARCITY OF CAPITAL

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Problems of Agricultural Development

241 511 433 AN EXAMINATION of the economic situation of the countries of Eastern and South-Eastern Europe will make it obvious that no redistribution of the national income and wealth will by itself radically improve the condition of the people. For example, if the total agricultural land of the countries (and not, as has been the case, merely the large estates) were distributed equally among the peasants ('Black Distribution' in the phrase of the Russian revolutionaries under the Tsar), the main result would be the equalisation of poverty. As long as the majority of the people are engaged in agriculture and the producivity of labour in agriculture is as low as it is today, no real improvement of their condition is possible.

The level of output of agriculture per head of the agricultural population in Eastern Europe is very low, as can be illustrated by comparing it with other regions. It is, of course, difficult to compare the agricultural productivity of different countries, which produce various products in differing proportions. Fortunately Wilbert E. Moore has undertaken an important statistical work, attempting to fulfil this task for different European countries (op. cit.). He weighs the quantities of agricultural goods produced according to a uniform set of value rations which he calls the Crop Unit (C.U.). For the years 1931-5 on the average, the results were as follows (see top of page 45) (the index calculation has been made from Moore's absolute figures).

Although there are differences in the productivity of agriculture as between the different countries of Eastern Europe, there is a much greater *inequality* between Western Europe as a whole and Eastern Europe as a whole, the latter's productivity being 4-5 times lower than the former's.

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AGRICULTURAL PRODUCTION PER PERSON DEPENDENT ON AGRICULTURE AND PER MALE ENGAGED IN AGRICULTURE

	Per Person Dependent on Agriculture		*Per Male Engaged in Agriculture*	
	Crop Units	*Index* Denmark = 100	*Crop Units*	*Index* Denmark = 100
Denmark	152	100	411	100
England and Wales	137	90	306	74
Netherlands ..	114	75	302	73
Switzerland	84	55	213	52
Belgium	95	62	230	56
France	75	49	204	50
Germany	84	55	244	59
Czechoslovakia ..	45	30	146	36
Hungary	33	22	96	23
Poland	21	14	72	17
Rumania	21	14	67	16
Bulgaria	20	13	70	17
Yugoslavia ..	17	11	55	13
Albania	10	7	32	8

(p. 35).

The large extent to which this is the *direct* result of the greater density of the agricultural population in Eastern than Western Europe becomes clear if the number of hectares of agricultural land per person dependent on agriculture in the different countries is compared. Taking the number in Denmark as 100, the comparative figures are:

Denmark	100	Czechoslovakia ..	54
England and Wales ..	112	Hungary	59
Netherlands	47	Poland	44
Switzerland	35	Rumania	46
Belgium	57	Bulgaria	20
France	108	Yugoslavia	37
Germany	71	Albania	22

It is clear that there is no exact correlation between countries arranged according to productivity per person dependent on agriculture and according to the quantity of agricultural land per person dependent on agriculture. But that there is a certain correlation can be seen by comparing the countries of Western Europe as a group and the countries of Eastern Europe as a group. In the first group there is twice as much agricultural land per person dependent on agriculture as in the second.

The great density of the agricultural population in Eastern Europe compared with Western Europe goes some way to explaining the low productivity per head of the agricultural population in the former compared with the latter. There is another factor that must be mentioned if the explanation is to be complete, namely, that the agricultural output per unit of

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241 area is much smaller in Eastern Europe than in Western
511 Europe. This is shown clearly in the following table:
● 433

AGRICULTURAL PRODUCTION PER HECTARE OF AGRICULTURAL LAND

	Crop Units	Index		Crop Units	Index
Denmark	57	100	Czechoslovakia	31	54
England and Wales	46	81	Hungary ..	21	37
Netherlands ..	91	160	Bulgaria ..	19	33
Switzerland ..	89	156	Poland	18	32
Belgium	63	111	Rumania ..	17	30
France	26	46	Yugoslavia ..	17	30
Germany	44	79	Albania ..	17	30

If the agricultural population of Eastern Europe is to have the same quantity of agricultural products per head as in Western Europe, not only must half of them be removed, but the agricultural output must be doubled.

[134] The low productivity in Eastern Europe is not the result of infertility of the soil. On the contrary, the soil of Eastern Europe, and especially the excellent black soil of the Danube Plain, is on the whole much richer than the naturally poor soil of Western Europe. The low productivity is due to three main causes, the scarcity of livestock, the scanty use of fertilizers and the lack of agricultural implements and machinery.

231 LIVESTOCK DENSITY (1938)
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	Cattle per 100 ha. Agricultural Area	Pigs per 100 ha. Arable Land
Czechoslovakia ..	59.1	65.3
Hungary	24.9	55.3
Poland	41.3	40.6
Rumania	23.5	23.5
Bulgaria	41.0	22.1
Yugoslavia	29.8	46.0
Germany	69.8	122.5
France	45.2	34.4
Denmark	103.1	106.1

(PEP—Political and Economic Planning-*Economic Development in S.E. Europe*, 1945, p. 34).

In this table the figures for the countries of Eastern Europe include a large number of oxen and buffaloes which are used mainly as draught animals. In the quality of its livestock Eastern Europe compares even more unfavourably with Western Europe than in the quantity.

407 On the question of agricultural implements and machinery,
241 the PEP study states :

'The value of all agricultural equipment used per hectare of arable land was estimated by a Roumanian source at Lei 1,000

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CHAPTER V

THE ECONOMIC PLANS OF THE SATELLITES

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ALL THE satellite countries have introduced economic Plans. These plans are of two kinds: the short-term plans, which ran from 1947 to 1948-9, whose aim was recovery, and the long-term plans, which began in 1949 or 1950, whose aim is to raise production considerably above the pre-war level. Yugoslavia alone did not undertake the two kinds of plans but started with a Five Year Plan (1947-51), while Rumania has not yet gone beyond the scope of one-year plans (she intends to introduce a Five Year Plan in 1951). Let us examine the main features of the plans.

The long-term plans have very ambitious targets of output. They fix an annual increase in the gross national product of 8 per cent in Czechoslovakia, 10 per cent in Hungary and Poland, 12 per cent in Bulgaria and 14 per cent in Yugoslavia. As regards the annual increase in manufactured products, it is 9 per cent in Czechoslovakia, 11 per cent in Poland, 13 per cent in Hungary, 17 per cent in Bulgaria and 37 per cent in Yugoslavia.

To arrive at a correct conception of what these percentages mean, it is necessary to know on what basis these percentual calculations have been made. For instance, the industrial production in the U.S. and British Zones of Germany rose between December, 1946, and December, 1948, by 137 per cent, or on a yearly average by 68.5 per cent, but this in itself does not signify any really spectacular achievement for Germany, since in December, 1946, the level of production was exceptionally low, and even after the increase of 137 per cent, it did not reach the pre-war level. It is difficult to discover what is the exact starting point from which the plans of the Eastern European countries set out, as there is very little

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185 information available on the subject. It is known that the agric-
433 cultural output in the basic year was, in percentage of pre-war output, in Bulgaria, 70 per cent; in Czechoslovakia, 80 per cent; in Hungary, 85 per cent; in Poland, 70 per cent; in Yugoslavia, 69 per cent. As regards the industrial output in the basic year, it was, in comparison with the pre-war level, in Czechoslovakia, 102 per cent; in Poland, 133 per cent; in Bulgaria, 170 per cent. As far as Poland is concerned, it must be borne in mind that the addition of the 'Regained Territories' doubles her industrial capacity. It is not known how much weight is given in the plans to industrial as compared with agricultural output in the total national output. The rise of the total national production would have been considerably less proportionately if any year *before* and not *after* the war had been chosen as the basic year, since agricultural output in the 'basic year' was in each country below the pre-war level of output and industrial output was above while only a small minority of the population was engaged in industry.

In addition, it is obvious that in general any calculation in percentages of the rise of output that does not take into consideration the absolute magnitude of the basis will paint a rosier picture the more backward the country is. Thus if Yugoslavia's Five Year Plan envisages an increase in the output of crude steel of 223 per cent in 1951 above the level of 1939, it might leave the impression that the achievements of Yugoslavia's steel industry will be four times greater than that of the United States between 1937 and 1948, when she increased her output by 56 per cent. But if the achievement of the industries of the two countries is described in absolute magnitudes, a totally different impression is given. The production of Yugoslavia's steel industry will rise, if the Plan is fulfilled, from 240 thousand tons to 760 thousand tons, i.e., by a little more than half a million tons; while that of the U.S.A. rose from 51.4 million tons to 80.3 million, i.e., by 28.9 million tons. André Philip, French delegate to the Economic Commission for Europe, illustrated this point by saying that his grandson had recently cut a second tooth, thus increasing his dental production by 100 per cent—but he still had less teeth than most people.

There is another aspect to the question. Figures of the rise in output, when the amount of investment or disinvestment is

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not taken into account, can be misleading. If the owner of a factory does not renew its machinery, buildings, and so forth, but instead builds a new factory which is equal in value to the depreciation of the old, then the *immediate* result is that two factories are producing instead of one, and the output rises, although the amount of his capital remains unchanged, and after the total depreciation of his old factory, output will decline to the level of only one factory. The same principle holds good for the countries of Eastern Europe, where the rise in output over the past few years has not been accompanied by a parallel increase in the investment of capital. In some cases, it has even been accompanied by disinvestment, as the following table, dealing with agriculture, shows:

	Level of Agricultural Production			Estimated Net Investment in Fixed Capital in Agriculture and Fisheries	
	Index numbers. 1934-8 = 100			(in million dollars, 1938 prices)	
	1946/7	1947/8	1948/9	1947	1948
Bulgaria ..	67	71	—	−13	−11
Czechoslovakia	80	62	80	−21	−19
Hungary ..	57	67	85	−11	−5
Poland ..	46	59	70	−5	11

(U.N. *Economic Survey of Europe in 1948*, Geneva, 1949, pp. 17, 51)

(In order not to get a false picture one should bear in mind that the negative balance of investments in agriculture in fixed capital may have been offset by an increase in livestock, which is not included in the figures).

Another example of the same phenomenon is the textile and clothing industry of Poland. This showed a big rise in output in 1947, and at the same time a net disinvestment of 10 million dollars in 1938 prices (Ibid. p. 53).

Another factor must be taken into account. In the backward conditions of Eastern Europe, even a small addition to the net investment may bring about a disproportionately large addition to the output, the more so—in the short run—if certain whole new industries are built while other plants or branches of industry are starved of capital.

Even with these reservations, the investment plans of the countries of Eastern Europe should not be underestimated, though the statistics are really related to gross new investments (without depreciation being taken into account). In absolute figures the targets were:

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434 starvation' of the industries producing consumption goods, while the new capital investment is directed into the capital goods industries:

ESTIMATED NET INVESTMENT IN FIXED CAPITAL IN INDUSTRY IN 1947
(MILLIONS OF DOLLARS IN 1938 PRICES)

	Hungary		*Poland*	
Food processing, etc. ..	−1.7		−1.4	
Textiles and clothing ..	0.5	−1.5	−10.0	−11.7
Leather and rubber ..	0.1		0.2	
Paper and printing	−0.4		−0.5	
Timber and timber products	−0.1		0.2	
Building materials, etc. ..	−0.7		−1.0	
Metals and engineering ..	5.3	5.8	7.4	13.6
Chemicals	0.5		6.2	
Total manufacturing ..	3.5		1.1	

(Ibid. p. 53)

This is a foretaste of the future.*

185 As regards agriculture the Plans for all the countries, except
● 433 Poland, provide that the output shall exceed the pre-war level, by about a sixth in Czechoslovakia and Hungary, and a third to a half in Yugoslavia and Bulgaria. In Poland it may not exceed its pre-war level in present territory. (Ibid. p. 206).

*In U.S.S.R. the relatively great lag in industries producing means of consumption behind those producing means of production is shown by the following official data of the division of the gross output of industry:

DIVISION OF GROSS OUTPUT OF INDUSTRY INTO MEANS OF PRODUCTION AND MEANS OF CONSUMPTION (IN PERCENTAGES)

	1913	1928	1932	1937	1940	1942 (Planned)
Means of production	33.3	32.8	53.3	57.8	61.0	62.2
Means of consumption	66.7	67.2	46.7	42.2	39.0	37.8

It is very difficult to check the *absolute* change in the production of different means of consumption. In Russian statistics a number of simple tricks are used to describe the situation in more glowing terms than is true. The output of a number of consumption industries is given only in monetary terms; the production of the small factories which, till 1928, made an important contribution to the production of means of consumption, is not included.

Official statistics can therefore show a tremendous rise in the output of shoes, which, however, cannot be squared with the facts. The number of animals slaughtered annually after the big 'collectivisation' drive never reached the number slaughtered previously, as it was not until 1938 that the total number of livestock reached the 1929 figure (in 1929 cattle numbered 68.1 million, in 1938, 63.2; sheep and goats numbered 147.2 and 102.1 million respectively). At the same time the surplus of imported hides, skins and leather over exported was 54.3 thousand tons in 1928 as against only 15.6 thousand tons in 1938. Only Stalinist statisticians can produce the 'miracle' of tripling the number of leather shoes out of a decreasing quantity of leather. The Russian government, relying on the 'short memory' of the people, or more correctly on the oppressive machinery which ensures that past memories remain unuttered, adds insult to injury. While promising a tremendous rise in the production of means of con-

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A technical revolution in agriculture is also planned for the coming few years (except in Yugoslavia). This is shown by the tremendous rise in the number of tractors:

ACTUAL AND PLANNED NUMBER OF TRACTORS IN RELATION TO ARABLE LAND

Country	*Year*	*Number (thousands)*	*Arable land per Tractor (hectares)*
Poland	1946	5.5	3,000
	1955	76.5	220
Czechoslovakia	1946	11.8	460
	1953	45.0	120
Hungary	1947	11.9	490
	1954	21.0†	280
Rumania	1948	11.0	850
	1949	12.5	740
Bulgaria	1946	4.6	920
	1953	10.0	430
Yugoslavia	1946	4.0	1,800
	1951	4.5	1,710
Total	1946	44.9	1,100
	Last year of plan	169.5	290

(Ibid. p. 208). †state tractors only.

Agriculture will be reorganised on the new technical basis, state and co-operative farms replacing the small peasant farms.

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sumption with every Five-Year Plan, it fixes the actual target of the Plan at a volume of production which does not exceed the target of former Plans. This is shown clearly by the following table:

TARGETS OF PRODUCTION FOR THE END OF THE FIVE-YEAR PLANS

	First 1932-3	*Second 1937*	*Third 1942*	*Fourth 1950*
Some Means of Consumption				
Cotton goods (milliard metres) ..	4.7	5.1	4.9	4.7
Woollen goods (million „) ..	270	220	177	159
Linen (million metres)	500	600	985	—
Vegetable oil (thousand tons) ..	1,100	750	850	880
Sugar (million tons)	2.6	2.5	3.5	2.4
Some Means of Production				
Electric Current (million kwh.) ..	22	38	75	82
Coal (million tons)	75	152.5	243	250
Pig iron (million tons)	10	16.0	22	19.5
Steel (million tons)	10.4	17	28	25.4
Oil and gas (million tons) ..	21.7	46.8	54	35.4

(Actually in the territory of the U.S.S.R., in 1913, 2,854 million metres of cotton goods and 95-110 million metres of woollen goods were produced; in 1937 the corresponding figures were 3,181 and 98).

Therefore, when the Russian government boasts that 'in 1950 we will reach the level of 4.7 thousand milliard metres of cotton goods' it does not prevent them from having made the same promise twenty years ago, when the population of U.S.S.R. was about fifty millions less than now.

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servitude, the adoption of improved techniques of agricultural production and marketing, and the improvement of the lot of the individual peasant through land reform and the combined efforts of the landlords and the state. Most of European Turkey had never known feudalism in the Western sense, and the peasants of Serbia and Bulgaria emerged early as independent landowners with a sound understanding of their own interests. In many areas of Rumania, Austria-Hungary, and the Polish sections of Germany and Russia, however, the peasants were freed from feudal restrictions only to sink into a deeper misery, sometimes called "neo-serfdom," that stemmed from lack of capital and the resultant economic dependency on the landlords. As a consequence, while independent peasant political parties began to develop among the Czechs and southern Slavs shortly after the turn of the century, the peasants in Russia in 1905 and in Rumania in 1907 resorted to the desperate method of revolution.

The agrarian backwardness that characterized the greater part of Eastern Europe was a great challenge to social and political philosophers, and it was not surprising that the First World War left in its wake attempts at radical solutions by leaders acting in the name of the proletariat or the peasantry. The recommendation of the economists, in the presence of this agrarian poverty and overpopulation, was that agricultural improvement be accompanied by the extension of industry and trade. In the areas where large landowners exercised full political control, this recommendation was not welcomed as the landowners tended to favor fiscal policies that kept the price of grain high and the peasant poor. In other areas, however, important industrial development took place. Thus, the Austrian provinces of Bohemia and Moravia, with their preponderant Czech population, accounted for a little over one half the entire industrial output of Austria-Hungary. This production included coal and

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178 iron as well as consumer goods and benefited by the large
• 433 market that the empire provided. Significant industrial development also took place in Hungary and in other parts of the empire. Similarly, in Russian Poland important industries were developed, but these suffered from the discriminatory policy of the Russian government and from the lack of communications.

457 Capital for the economic development of this region came
471 chiefly from France until the 1890's, when German and Austrian capital became increasingly active. In Eastern Europe in general, and particularly in the Balkans, loans had as much a political as an economic incentive. Since the credit of Serbia, Bulgaria, and Rumania was poor, the bondholders were able to insist on a variety of controls to assure payment. Although a substantial amount of this capital was used to finance armament and eventually wars, investments of permanent value were also made. Notable among these was the railroad from Vienna to Constantinople, completed in 1888, which with its branches formed the backbone of the transportation system of Southeastern Europe.

III

186 Collective security and economic interdependence, as
631 these terms are understood today, were certainly among the motives of the various plans for regional organization proposed for Eastern Europe in the century before the First World War. Yet the nineteenth century was for Europe an age in which war was the exception rather than the rule and national frontiers were not the barriers to trade and to the movements of peoples that they have since become. Although motives of power politics in the modern sense were always present, regionalism in this era was also concerned

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829 Peter I, there was much more freedom, in spite of the social
571 and cultural backwardness of the people, than there had been under the dictatorship of the Crown in the '30's when the economic and social level of the country was much higher than in prewar years. It is sufficient to compare the liberal Radical, Nikola Pašić, with the unprincipled opportunist Milan Stojadinović (whom Ciano praised as a "true fascist") to realize that the betterment of economic conditions did not prevent the disintegration of democracy in Yugoslavia. Between the two world wars, Poland progressed economically and made great strides in industrialization, yet from 1926 on she was subjected to the semidictatorship of Pilsudski.

• [433] In Hungary, after the First World War, the economic situation was not much better than it was in Austria. Yet, in spite of both this and the reactionary regime of Admiral Horthy in Budapest, some vestiges of liberalism survived even the Second World War. In Austria, in spite of the substantial influence exercised in Vienna by the Social Democrats and by the liberal bourgeoisie, a semidictatorial regime was installed in 1934. Germany's economic and social structure was more advanced than that of Czechoslovakia. The grave economic crisis of the '30's caused wide unemployment in both these countries, yet the small Czechoslovakian Republic remained faithful to liberal democracy until she fell before Nazi aggression, while in Germany Hitler was already in power in 1933.

829 These examples are surely sufficient to show that the strength or weakness of liberalism in Eastern Europe did not depend solely, or even mostly, upon economic and social conditions. These were certainly very important factors, but of more importance were the psychological climate and the political tradition within each individual nation. Czechoslovakia remained democratic until her fall because, ever since the Hussite revolution in the fifteenth century, the substantial majority of both Czechs and Slovaks had been

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Russian *kulak*. The village rich are not allowed to enter a collective or are expelled if they become members. A merciless battle is being waged to ruin them. They are being liquidated as peasants, removed from villages, and sent to mines or to industry or concentration camps. There are roughly thirteen million peasant families in Eastern Europe, more than one million of which are *kulaks*. The children of all these families must lose the individualistic traits of their peasant heritage: that is the Communist aim.

Large-scale industrialization plans, for military purposes rather than for consumer production, are being pushed forward with great vigor in all Eastern European states and new labor is required in great numbers. *Kulaks* and other class enemies are an obvious source for this labor. By tapping this source, the surplus agricultural population will be disposed of and the people with individualist outlook gradually destroyed. If there is a shortage of workers in agriculture, as for instance in Czechoslovakia now, industrial workers already persuaded to the collective way of thinking can be utilized.

The term *kulak* has come to mean anyone who is against collectivization, and all *kulaks* are to be destroyed. The process of destruction is quickly changing the status of the agrarian population in this region. The agricultural population is decreasing and, according to estimate, does not amount today to more than 45 per cent of the total population. This decrease is the political consequence of collectivization and not its economic or social result. The collectivization policy itself cannot solve the old problem of rural overpopulation but can only aggravate it. The real aim of Communist collectivization is not to solve this problem but rather to destroy the peasantry.

Agriculture, like the other divisions of economic life, has been dictated by state plans which prescribe to the peasant what crops are to be grown and what animals are to be bred.

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241 The peasants do not like regimentation and therefore the
185 Communist economic plans have not brought about any increase in agricultural production.

208 The collectivization policy has further aggravated the situation. The peasants hate even the word "collective." They go about their work with indifference or with fear and hatred. Their aversion to coercion, dictatorship, and controls, their attachment to their land, and their pride in independence, have neutralized all the advantages of large-scale production with its mechanization and its use of modern agricultural methods. The Communist belief that large-scale operation would bring about efficient agricultural production has not materialized.

262 Agricultural production is decreasing. Eastern Europe
● 433 used to be a very large exporter of all agricultural products,
241 but it is suffering from shortages today. Food is scarce in these agricultural countries. Before the Second World War, nine out of ten residents of Czechoslovakia were nourished by the produce of Czechoslovakian agriculture. There were no rations. Everybody could buy what he wanted, and the standard of living in Czechoslovakia was the highest in Eastern Europe. Today, according to official Communist pronouncements, every second man in Czechoslovakia, despite strict rationing, has to be supplied from abroad. Milk, butter, and eggs are not distributed to adults at all, and even sugar is in short supply. Czechoslovakia, once the largest exporter of beet sugar in Europe, today cannot provide its diminished population with sugar although it has nearly 15 per cent fewer inhabitants than before 1938 due to the expulsion of the Germans. Bulgaria and Hungary, which had great surpluses of all agricultural products before the last war, must now import foodstuffs for their starving populations. Agricultural production in Eastern Europe has not yet attained the prewar level, although the free farms of Western Europe have surpassed it considerably.

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178 per cent; and Czechoslovakia, 41 per cent. Thus it can be
162 easily seen that, with the exception of Czechoslovakia whose
241 industry was the most developed in the region, the countries of Eastern Europe were predominantly agricultural and peasant in nature. Yet despite the predominantly peasant character of these countries, the peasants as such had relatively little political influence.

178 Although there was an increase in the output of agricul-
241 tural goods in all these countries between 1918 and 1945,
511 the competition offered by overseas cereals strongly affected the agriculture of Eastern Europe. Cereals, one of the major products of the region, had to be undersold to Germany. Added to this unfortunate situation, the world depression of 1929 came as a terrible blow to the economy of Eastern Europe, the most disastrous years lasting from 1931 until 1934. Industry, with its frequent cartels, was better able to defend itself than was agriculture, and thus the "price scissors," or the disparity between agricultural and industrial prices, cut mostly into the income of the agricultural population. This resulted in a general lowering of both the purchasing power and the standard of living. Loans at high rates of interest were frequent and taxation increased the poverty of the peasants. These, as the major element of the population, pressed heavily for reforms and spread malcontent in their respective countries.

185 Soon after the First World War, some states realized that
167 the solution to this situation was industrialization. Emigra-
● 433 tion, as a possible solution, was not favored in any of the Eastern European states as it would have decreased manpower. Since war was considered more or less imminent after 1933, military and industrial groups were especially opposed to any large-scale loss of population, although emigration was never prohibited by actual government order.

185 Bohemia, which had been in a highly advantageous posi-
433 tion in the industrialization program of Austria before the

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First World War, was the only well-developed industrial region and provided the foundations of the industrial economy of Czechoslovakia. Poland and Hungary had some valuable industries which aided their development considerably. In the other states, industrialization made slow progress and often operated on an unsound basis. Many plants were erected, the products of which were not related to the needs of the respective countries. National welfare was often neglected and industries were built for the enrichment of a few individuals. Not even mining was efficient. Mines were exhausted or were reopened mainly on the basis of sudden export needs and with no thought that the industries might convert the mineral raw materials into consumer goods. Hungary, where bauxite was sold to Germany and aluminum was repurchased at a high price, offers an excellent example.

Mining, metallurgy, heavy industry, and textiles were favored but they were not related to the purchasing power of the masses or to the production of raw materials. Because of the low production of textile raw material, large textile plants were run on imports. Cereals, livestock, and other agricultural goods were exported to balance the budget. Thus, much of the capital had to be spent on transportation expenses. The attention paid to agricultural industry was insufficient despite the fact that mineral raw materials, agricultural products, and timber were assets upon which a satisfactory program of industrialization could have been based.

The causes for this situation are to be found in the political instability of Eastern Europe and in the lack of sufficient skills and resources. It was a region of wars and insecurity where little nations faced each other with mistrust and fought each other as fiercely as they did the outside powers. Industrial policy between the two world wars was dependent on power politics. The policy of economic self-sufficiency, or autarky, was engendered by nationalistic as-

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pirations mostly in order to develop a modern industry capable of meeting war needs.

The assumption that work invested in industrial development would improve economic conditions was a decisive factor in influencing states to industrialize. This assumption was particularly valid in regions with climatic extremities and little arable land. Some of the means used to foster industrialization were technical education, customs, embargoes, tax exemptions, monopolies, favorable credit policies, and provisions protecting the joint interests of domestic industries. The assembly line system, as influenced by the United States, was started in the industrial sector in the '30's.

Branches of industry requiring specialized skill were developed mainly in Czechoslovakia and Hungary, but they did not attract many from the surplus peasant population which still preferred unskilled jobs. The competition, such as it was, for unskilled jobs resulted in a low wage level. Therefore, the increase in purchasing power was gradual. Peasant poverty and the lack of skill and capital were the fundamental problems facing industrialization programs and the new governmental economic policies.

The general poverty was further increased by the fact that the small Eastern European countries were debtor states. The solvency of Czechoslovakia was dependent on the export of industrial goods, while other states depended upon agricultural exports or, as in Rumania, upon mineral raw materials and lumber as well as on agricultural goods. Foreign debts, incurred before and after the First World War, weighed heavily on the budgets of the individual countries. Only one half of the debts were repaid during the interwar period. Foreign loans were given too often on the basis of political considerations. The boundaries erected by the 1920 peace treaties had already broken up natural economic and geographic areas, and the disproportionate lending policies of foreign powers hindered the uniform economic development of East-

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ern Europe. The individual states became more and more antagonistic and trade within the Eastern European area often took a course contrary to the requirements of reasonable economic policies. Free trade, cherished in the first postwar years, was soon abandoned for the sake of a policy of protective tariffs. Customs, duties, and foreign exchange restrictions to prevent speculation, were introduced to protect economic development and strength.

Both "economic nationalism" and "small power imperialism" were features characteristic of this area in the period between the wars. When the economic position of the new states in the '20's is compared with the situation prior to the First World War, the problems of these states emerge clearly. The economic well-being of the old Austro-Hungarian empire lay in the regional character of its economic organization, which depended mostly on a coordinated internal market and a natural division of labor between the component parts of the empire. Although it was a social and cultural mosaic, the empire was organized in such a manner as to take advantage of the regional distribution of natural resources and the differing skills of the various populations.

The peace treaties ending the First World War, while meeting the political aspirations of various nationalities, did not provide a satisfactory solution to the economic problems of the region, and the newly created states were divided by serious political and economic differences. Political animosity soon led to economic warfare, and self-sufficiency, the driving motivation of the new states, precluded any real possibility of economic cooperation. The world depression of the early '30's led to the final economic and psychological collapse of Eastern European stability and opened the door wide to German economic penetration and the eventual conquest of the region.

The foreign trade of the Eastern European countries in the years 1919-1944 was far smaller than it should have

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the gradual decline of the traditional rural and mainly peasant structure of this part of Europe and the emergence of an industrial urbanized society. This transformation is now in full swing and will continue until it runs its course—no one can say when or how—or until external factors end the Russian control of Eastern Europe and its nations rid themselves of their own Communists. Even then, the industrial development of that area will presumably continue, though for different reasons and with vastly different methods. The Communist regimes may go, but the results of the industrial revolution will remain.

This essay is concerned with the effects of these revolutionary events on the social and economic development of the countries of Eastern Europe. To cover this involved subject adequately, much time and space would be necessary. The writer must limit himself here to the discussion of the few selected aspects of the problem that he regards as fundamental. Discussion of the industrial targets as established by the single countries in their long-range plans, half or more of which have already been achieved, cannot be included in this study.

Suffice it to say here that all over Eastern Europe the Communist regimes are modernizing the existing mines and industrial plants and are building scores of new mines and thousands of large new plants, mostly supposed to produce capital goods as a basis for further industrial production. The anticipated result of the present first series of long-range plans, expected to terminate in less than two years, will be a large increase in the extraction of fuel and the doubling, in some cases tripling and quadrupling, of the heavy industrial potential of the individual nations of this region, some of which had a large industrial output before the last war. This vast operation requires that great numbers of peasants be transferred from agriculture to industry, mining, and construction. Once carried out, the first series of plans is to be

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185 followed by a second, with the targets again much increased.
● 433 The preparation of these second five year plans has already begun. Their nature can be inferred from the electoral program of the National Front in Poland, published in the fall of 1952. The Warsaw regime proposes to raise the per capita industrial output of Poland by 1960 to ten times the by no means negligible standard of 1938. In other words, it intends that the Polish per capita industrial output shall surpass the present per capita industrial output of France. Other satellite governments probably have similar plans. Whatever may be thought about the feasibility of such grandiose plans, it should not be forgotten that under the Soviet regime Russia has evolved from a backward agricultural country, which it still was in 1928 when the first Five Year Plan was launched, into the second industrial power of the world, surpassing in total production Japan, France, Britain, and Germany.

The aims of enforced industrialization are several. The first is the numerical increase of factory workers who, as proletarians, are supposed to be not only the cream of society but convinced Communists as well. This early theory of the Soviet revolution, together with the term 'proletariat,' is falling into disuse. It has never been proven by facts: at other times and in other places, men entering the industrial process have not been inclined necessarily to become Communists, and there is no evidence that they are so inclined in the captive countries today. The second aim was defined on many occasions by Stalin. According to him, the Socialist transformation of society can be achieved and kept secure only by a steady growth in heavy industrial production, which at any given time must exceed the increase of light customer-serving industries and of agriculture. This rather abstract formula means, among other things, that in order to survive foreign aggression a Communist state or states must possess enough heavy industry to produce the necessary weapons at any given moment. Stalin's judgment was correct, though not

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necessarily Communist, since it applies to all states exposed to dangers from their neighbors. Another meaning of this formula is that Communist states cannot afford to depend on the non-Communist world for essential raw materials or machinery, since such imports might be stopped at the moment when they are most urgently needed. Consequently, a Communist state should produce these goods on its own. Here again, a distant echo of Russia's defeat during the First World War can be heard. Stalin seems to be saying that Communist Russia must never again be incapacitated or even hindered by industrial weakness. Indeed, his industrial Russia of 1941 withstood the German onslaught far better than had the imperial Russia of 1914.

The realization of this aim demands that all hitherto unused resources of manpower and dormant material wealth be utilized as rapidly as possible. At some future time these resources may well bring rich life to the people. But so long as the Soviet Union is encircled by potential enemies such resources must remain at the disposal of the state which defends "the social conquests of the revolution." The systematic realization of all these aims is assured through the consecutive five year plans for the development of the Soviet economy.

A year or two after the end of the Second World War, the Soviet Union felt certain that the West no longer had the means or desire to interfere with Soviet control of the so-called liberated nations of Eastern Europe. The countries of this region could be regarded henceforth as an extension of the Soviet Union proper, and their resources could be used for the achievements of the same aims as those of the Soviet Union. Under the transitory semi-Communist governments of that time, the captive nations showed enormous vitality in reconstructing their war-damaged economies. Since 1948-50 this vitality has been canalized into long-range industrial plans which have been synchronized with one another and

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with the Soviet master plans. The captive nations were allowed to preserve the external attributes of sovereignty and their governments were granted an advisory voice in the preparation of these national plans. But the supreme control of the plans remained in the hands of Moscow, and their primary goal was, and is, rapid industrialization.

II

The possibilities of industrialization in Eastern Europe are considerable, but obviously not unlimited. They depend on the availability of manpower and its technical know-how, on industrial raw materials and machinery, on capital needed for investments, and on markets capable of absorbing the products of the new industries.

Before the last war, five million persons were employed in the mining and in the medium and large manufacturing industries of the six major countries of the area. Today this number exceeds nine million. There is a shortage of labor, both skilled and unskilled, in Eastern Germany and in the Czech part of Czechoslovakia. The reserves of manpower—land laborers, dwarf-farm owners, and married women—are limited in Hungary and the Slovak part of Czechoslovakia, large in Poland, and even larger in Rumania and in the three Balkan countries. The areas where labor is short coincide to a large degree with those of low natural increase of population, and vice versa. In the first period of reconstruction after the war, there was in many parts of the area a movement of the population from the villages to the towns in search of urban, not necessarily industrial, employment. For instance, in Poland alone, two and one-half million persons moved into towns during the first seven postwar years. This movement is now over, as well as the postwar enthusiasm for reconstruction, and the governments have to recruit new workers by propaganda and sometimes by half-coercion. Unless

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463 ments made by single countries of the area are systematically exchanged with Russia and other captive countries, and many thousands of Soviet, Czech, Eastern German, and Hungarian experts, technical advisers, and skilled specialists are employed by the less advanced countries of the area. It is difficult, if at all feasible, to compare the sum of technical knowledge behind the Iron Curtain to that in the free world. Undoubtedly, the countries of Eastern Europe lag behind the free world in all technical respects, but it would be imprudent to believe that they are not making much technical progress.

• 433 377 The area as a whole and the single countries within it, except for Eastern Germany and Czechoslovakia, are, generally speaking, self-sufficient in foodstuffs. It also has sufficient reserves of solid and liquid fuel. Using both these reserves and their hydroelectric power, it can produce an in-

433 135 creasing amount of electric power. On the other hand, the area is poor in metallic ores. There is much bauxite in Hungary, and supplies of lead and zinc in Poland. Yugoslavia and Bulgaria are rich in many ores. However, there is not enough iron or manganese ore in Eastern Europe, far from enough copper, no tin, and a lack of many supplementary metals of significance to modern metallurgy. Chemical raw materials are abundant, especially in Poland and Rumania, but the area lacks phosphate rock and is poor in sulphur compounds. It has no jute, very little cotton, not enough wool, and no rubber. The resulting limitations to industrial expansion are obvious. They are offset to some extent by the existence of dormant resources and by the fact that the southern Balkan area has not yet been properly explored. It is possible that the Balkan mountains contain more mineral wealth than has been assumed hitherto. Soviet geologists are certain that this is so. Some deficiencies in raw materials can be met, as was the practice under Hitler, by using substitutes such as synthetic oil, rubber, yarn, and plastics. This area can

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produce many substitutes. Today, shortages of raw materials are covered by imports from abroad, most of these from the Soviet Union. Economic autarky is not possible in Eastern Europe alone, but the Soviet bloc, including Russia and China, is almost self-sufficient in raw materials.

Under the unrelenting pressure of Moscow, the output of machinery and plant equipment in this area is making steady and rapid progress. The period when most of these countries must depend on importation of machinery from the West is almost over. Were all Western sources of industrial machinery to be completely closed to the captive area, its industrialization would be slowed and delayed but not halted. As things stand now, much industrial equipment is still imported from Western Europe, legally or illegally, and the Soviet Union can take care of the other shortages. Czechoslovakia, Eastern Germany, and, to a lesser degree, Hungary produce machinery above their home requirements, and part of the surplus goes to other captive countries, to the Soviet Union, and to China.

According to United Nations data,[2] the 1951 indices of industrial production in the single countries of this area in comparison to 1938 were as follows: Eastern Germany, 115 per cent; Czechoslovakia, 168; Rumania, 206; Hungary, 267; Poland, 270; and Bulgaria, 345 per cent. In considering these figures, it is necessary to bear in mind that 1938 was not the peak production year in Eastern Europe. Between 1938 and 1943-44, the industrial output of Czechoslovakia and Hungary rose noticeably owing to the erection of many new industrial plants, so that only a part of their industrial expansion since 1938 can be attributed to the efforts of their present governments. Poland's industrial potential increased in 1945 by at least one third, due to the acquisition of ex-German Silesia. Bulgaria's industrial po-

[2] *Economic Survey of Europe Since the War* (Geneva: United Nations, 1953), p. 239, Table 1.

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433 tential in 1938 was, and still is, insignificant. It is claimed that in 1952 the industrial output of the area rose again by about one fifth.

An estimate of the relative industrial strength of the individual captive countries was made recently in a United Nations publication.[3] If the total industrial output of the area at the end of 1952 is taken as 100, the output of Eastern Germany constitutes 34 per cent of this total, that of Poland 27, of Czechoslovakia 21, of Hungary 9, of Rumania 6, and of Bulgaria 3 per cent. The total industrial output of the entire captive area is equivalent, roughly speaking, to nearly 40 per cent of the total industrial output of the Soviet Union.

195 471 511 464 All this rapid, even violent, industrial expansion cannot be smooth and is, in more ways than one, terribly expensive. There are no miracles in economics, and wealth can be created at different rates of speed, but not at will. The tremendous increase of the state-owned industrial plant in this area is only feasible because the citizens have been deprived of their individual capital, because the consumer demand is being systematically curtailed, and because more and more of the national income, siphoned off by taxation, inflation, and other methods, is being reinvested in industry. This reinvestment is being done at great cost to agriculture. Quantitative industrial progress is also speeded up by the fact that the police state has the means to make everyone work. The prewar urban unemployment and, to some extent, the huge peasant underemployment, caused by the extreme subdivision of rural property, are things of the past. Billions of manhours which were wasted before the war in enforced idleness are now used for production or, at least, are on tap for production purposes. On the other hand, a large proportion of the men and women kept in concentration and labor camps

[3] *Economic Bulletin for Europe* (Geneva: United Nations, 1952), Vol. V, no. 2 (July, 1953), p. 84, Table 1.

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511 tion capacity of cement plants and brick factories would have to be increased before there can be any question of more housing. This is but one example out of many of its kind. There is a manifest contradiction between the present Russian-enforced armament production in the area, which has not been curtailed, and the intended mass production of consumer goods. The two cannot be carried on simultaneously. For these reasons alone, the recent statements of the Communist governments should be regarded with much scepticism.

288 295 433 The situation as regards clothing and footwear is even worse. The problem of obtaining it is nearly insoluble for the average family. It is far more difficult than in Russia where millions wear Polish textiles and Czech shoes. To discuss this question in detail is beyond the scope of this essay. Suffice it is to say that, according to the present long-range plans, Eastern Germany expects to produce in 1955 only 1.3 pairs of leather shoes per capita, Rumania 1.2 pairs, Hungary 1 pair, and Poland 0.7 pairs. No one can say what proportion of this footwear will be earmarked for export to Russia and China or assigned in advance to the army and security police and what will be left for the population. It is for such reasons that behind the Iron Curtain it is illegal to photograph the people on the streets or to export abroad such documentary evidence of their poor garb.

657 745 In contrast to the situation regarding food, housing, and clothing, the number and range of social services have been considerably extended, and these state services should in all fairness be regarded as significant steps taken to offset the low standard of living. It is little known that prewar Poland and Czechoslovakia, not to speak of Germany, had state-operated systems of social insurance and public health more advanced than any existing at the time in France or the United States. These systems have been enlarged under Communism. The quality of their services is too often insufficient, but the

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condition attached to such a speculation. Were the West to deny the principle of industrial transformation of these countries and to envisage their 'return to pastoral status,' the new managerial class together with the working class would range itself automatically against the West.

VI

The economic and social revolution which these countries have undergone has been imposed on them very largely from the outside. It has been successful because it was backed by the whole strength of a great military empire but also because the material and moral ravages of war and German occupation had shattered the prewar fabric of society and exposed its structural weaknesses. The society which is emerging from this revolution will be very different from the former one. Even if a true liberation of this part of Europe were to occur, the restitution of many old forms of life would not be feasible. The greatest harm that the captive nations have suffered and will suffer through the imposed revolution are the inflictions upon the souls and the minds of the people. Gradual de-Christianization, loosening of family ties, fear and distrust of political authorities and of the neighbor, Russification and falsification of national past, coarsening of manners, and the awful deposit of lies and prejudices of propaganda and non-technical schooling: all these are weapons which are levelled upon the minds and souls of the people. The undoing of these moral effects of Communist policies could only be gradual, and it would take a long time.

In the social and economic fields, the effects of Communism have not been so uniformly somber. That goods can be produced under Communism has been learned from Russian precedents. That Communism cannot assure to the people a decent standard of living is a fact that cannot be denied by any amount of propaganda, and it is also true that

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178 never in the last century have so many people worked so hard
433 for such meager rewards. However, in the social field, the extension of social services and of technical education can be credited to the Communist regimes. In the economic field, although the tax on the people has been almost unimaginably great, it must be admitted that the badly needed industrial development of formerly rural areas of Eastern Europe is due to the Communists.

178 The latter point needs clarification. The Wilsonian East-
433 ern Europe of 1918 inherited from Austria-Hungary, im-
369 perial Russia, and the old primitive Balkans an obsolete social structure of rural overpopulation and poverty due to insufficient industrial and urban development. The Czech lands, Polish Silesia, and a few lesser industrial regions were exceptions to the general structure of the area. Left to themselves by the indifferent West, having undergone the shock of the depression as only rural states can suffer it, the free nations of the area, again with the exception of Czechoslovakia, could in the interwar period neither solve their grave social problems nor defend themselves in the hour of danger. The existence of a poor and defenseless group of nations in the heart of Europe surrounded on East and West by two highly industrialized powers was an anachronism and an indirect invitation to aggression. After the disintegration of Eastern Europe between 1938 and 1941, the causes of this disaster were examined by thinkers of many nations, and many of them came to the conclusion that the disaster was inevitable not only because of the political disunity of this area but also because of its economic and productive inferiority. Rural societies had no chance of survival in the heavily armed world of the late '30's if only because they were unable to produce the weapons with which they could have deterred aggression effectively. The awareness of this fact has deeply influenced the political thinking of the nations concerned. It is inevitable that the Poles, to take but one example, should

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reflect that, had their country had a sufficient industrial basis in 1939 to equip ten armored divisions for which she had enough trained manpower, her loss of independence and many other events in modern history could have been prevented.

The present industrialization of Eastern Europe is gradually eliminating this handicap of the past. To be sure, the increase of the industrial potential of these countries lies in the interest of the Soviet Union in its own military preparations. The men in the Kremlin may dispose as they wish of this area's industrial plants together with all its human and material resources with the single exception of the spirit of its peoples. From the standpoint of both the immediate and long-range interests of the West, any addition to the wealth or the strength of Eastern Europe is unwelcome so long as the latter remains a part of the Soviet bloc. These countries are of course aware of this situation, but they have to think also about their future. They hope that one day the Iron Curtain will be lifted and they know that at that time they will need all their new industrial wealth in order to cease being an area of social unrest and a target for exploitation by powerful neighbors as well as a hotbed for world wars. Nobody has disputed the right of Russia to evolve into an industrial power. No one can expect the countries of Eastern Europe to relinquish their hopes of freedom and their rights to prosperity which, in the light of their past, are linked to the modernization of their economic structure. Wendell Willkie said during the last war that "Only the productive can be strong, and only the strong can be free." His words apply to all nations alike. The nations of Eastern Europe are potential allies of the West. Those who earnestly desire a better world should bear in mind that the lasting interests of these friendly nations transcend their temporary position as Russia's enforced associates.

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641 discontent with them. If people had resented the oppressiveness of the old large empires, many now chafed under the smallness and divisiveness of the national states that had come to succeed them. Eastern European states, large or small, seemed to have a way of frustrating the hopes and ambitions of significant numbers of their citizens. Where men had complained about the lack of national freedom in the past, many now complained about the "balkanization" of the region. It is this underlying restlessness, this *malaise* of Eastern European politics, that gave a peculiar appeal to the demand for Eastern European federation. If we are to understand the prospects and the problems of a federal union in this region, we must first turn our attention to the fundamental needs and discontents that gave rise to the proposal.

175 • 433 Eastern Europe was a relatively backward area in terms of economic development. Even some of its most highly developed regions, such as the countries of Austria, Hungary, and the Russian-held parts of Poland, had lagged in economic development during the two crucial generations between 1815 and 1875, during which time most Western countries went through decades of tremendous economic growth.[1] In 1850

[1] Cf. Paul Muller, "Osterreich seit 1848," in Hans Mayer, ed., *Hundert Jahre Osterreichischer Wirtschaftsentwicklung*, 1848-1948, (Vienna: Springer Verlag, 1949), pp. 1-20, esp. p. 8; and in the same volume, for the old monopolistic traditions of business at Vienna from 1221 to 1848, and "conditions bordering on lethargy" during the decades preceding 1848, see Otto Gruss, "Ein Jahrhundert Osterreichischer Binnenhandel (1848-1948)," pp. 310-358, esp. pp. 311-317; for figures on the slow introduction of steam engines, the lag in the growth of towns, the slow relative growth of the population occupied in industry, the lack of capital, the national fragmentation of markets, etc., see Karl Heinz Werner, "Osterreichs Industrie und Aussenhandelspolitik 1848 bis 1948," *ibid.*, pp. 359, 479, esp. pp. 624-678, esp. p. 659. See also J. Slokar, *Geschichte der osterreichischen Industrie* (Vienna: Tempsky, 1949), pp. 16-19, 46-54, 177-179; Richard Schuller, "Die Entstehung des osterreichisch-ungarischen Wirtschaftsgebietes," in G. Gratz and R. Schuller, *Der wirtschaftliche Zusammenbruch Osterreich-Ungarns* (Vienna and New Haven: Holder-Pichler-Tempsky and Yale University Press, 1930), pp. 1-35, esp. pp. 23-24; Oscar Jazzi, *The Dissolution of the Habsburg Monarchy* (Chicago: University of Chicago Press, 1929), pp. 185-212.

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Vienna was larger than Berlin and Austria did not appear to lag conspicuously behind Prussia; but by 1866 the lag had become conspicuous and was confirmed on the battlefields of the Austro-Prussian War. There seems to have been a significant acceleration of economic growth between 1880 and 1914; and it has been estimated that between 1900 and 1910 the percentage rate of growth in the national income of Austria was even somewhat faster than it was during the same decade in Western Europe. The percentage growth of the low income of Austria-Hungary was unable, nevertheless, to keep up with the very much higher levels of national income and industrial productivity which meanwhile had been attained in the West.

Such economic growth as did occur was quite unevenly distributed. The economic position of the Germans and a few other groups was a great deal better than that of the rest of the peoples concerned, and the attempts of non-German groups to equal German economic standards often brought them into economic competition and political friction with Germans. After the economic depression of 1873, German nationalists raised the cry for the preservation of German supremacy, and the very attempts to mitigate or overcome economic inequality thus led to intensified economic competition and political conflict.

Economic development was poorly distributed between town and country, as well as between nationalities. In most Western countries, country people had come to share many of the educational and cultural standards of the city populations. In Eastern Europe, by contrast, even the German-Austrian peasants were described before the First World War by the Viennese architect, Adolph Loos, as people wearing different clothes, speaking a different language, and having an infinitely more primitive way of life than the populations of the cities.

The uneven distribution of economic opportunity was re-

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175 inforced in its effect by the extreme splintering of national,
162 linguistic, and religious affiliations. A good map of the na-
●433 tionalities, languages, and religions of Eastern Europe would have shown not the large patches of relatively homogeneous populations which are found in so much of Western Europe but rather a polka-dot pattern of intermixed minorities.

182 The relative national uniformity of the West is perhaps, at least in part, the product of a history rich in the processes of successful social learning and acculturation, which merged and melted the different ethnic groups that were left in the Western countries by accidents of migration, wars, and settlement. In Eastern Europe, such accidents of conquest or settlement may well have been even more numerous, but there is also some reason to think that the processes of assimilation were much slower and less effective.

Greater uniformity of language and culture means greater interchangeability of social roles. This is not merely a contributing cause to the growth in social mobility and in the interchange of social roles but is also to some extent their product. Where societies are rigorously stratified, where religions fail to impress upon people an awareness of their essential unity, where the obstacles to a change in occupation or in social role are great, and the rewards for mobility are uncertain and small—in these societies individuals may best succeed in gaining security by clinging tenaciously to their familiar groups, languages, customs, and traditions, and by rejecting any assimilation to other groups except the most privileged as a threat to their existence. The more privileged groups, under these conditions, can only be expected to resent and resist the assimilation or intrusion of strangers, unless these strangers come from regions of clearly greater wealth and greater prestige and seem to bring to the new group assets clearly greater than those they would demand. The lack of unity and assimilation in language and culture in Eastern Europe thus appears as one more aspect of the

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were needed. Large parts of the area were exposed to Western methods of tax collecting, accounting, and fiscal policy, as well as public administration. They were exposed to the activities of modern bankers, and to a considerable extent to the practices of modern commerce, newspapers, and advertising. They were also exposed in large part to compulsory elementary public education.

As a result of these exposures in the nineteenth century, the peoples of Eastern Europe learned to accept completely the prevailing Western standards of theoretical science, as well as of intellectual and artistic life. They accepted to a considerable extent Western ideals of living standards, standards of consumption, wage levels, working conditions, and social welfare. Finally, many of them came to expect Western standards of farm prosperity, rural welfare, and peasant independence and cooperation. In sum, a large part of the populations of Eastern Europe accepted Western living standards as their goal, or at least as a pattern of their claims and expectations.

This rapid diffusion of Western-style claims and expectations was not matched by any comparable diffusion of Western-style work habits, savings and investment patterns, levels of productivity, or propensities to technological innovations. Land reforms in Eastern Europe were not only slow in coming, but they did little to increase productivity. The consolidation of separate strips of land, long accomplished in Scandinavia and Western Europe, was still not completed in Eastern Europe by the time of the Second World War. The tools and implements of artisans and peasants changed their traditional shape much more slowly in Eastern Europe than they did in Germany or England and pathetically more slowly than they did in the United States. Throughout most of the regions organized labor feared that increases in productivity would only lead to losses of employment. Employers and businessmen aspired to use the profits

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of their businesses for the purpose of retiring from business themselves, rather than for expanding their productive equipment.

While productivity grew slowly, public health measures were effective and birth rates remained high. Throughout most of the region, the population pressed upon the limited supply of land and on the limited productivity of existing agricultural methods. At the same time, the lagging growth of towns and industries did not absorb completely the increases in population. The results were underemployment in the towns and industrial districts, hidden unemployment in the rural areas, and a general cheapness of human labor. While labor was thus abundant, and was often wastefully used, the skills of most workers remained low, and there was little incentive to improve them. Since capital goods and capital were scarce, there were fewer opportunities for engineers and applied scientists. And since universities, public administration, and banking had become modernized, there were ample employment opportunities for civil servants, clerks, lawyers, teachers, and research scientists.

The result was a startling precocity of Eastern European intellectual life. First-rate university training was fairly widely available throughout the region. Food, land, and domestic services were relatively cheap. Civil servants, intellectuals, and members of the professions had high prestige socially, and they found no severe economic difficulty in maintaining their families and sending their children to universities. While the top-level jobs in commerce, civil service, and universities under the Austro-Hungarian monarchy were perhaps somewhat more easily accessible to persons recruited from the German or Jewish minorities, there were some opportunities for careers for men of outstanding talent from all national backgrounds. Czech scientists reminisce today about the remarkable generation of Czech and Slovak intellectuals and scientists who made their careers during the last thirty

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be improved by secession. All of them thought that they could improve their position by finding that exact size of political unit in which their own language and their own national culture could be made to predominate and in which their own nationality or ethnic group could be turned into the leading class or social and political elite.

Nationalism in Eastern Europe was thus a reaction to the rapid diffusion of Western claims and to the expectations of security and opportunity throughout a group of societies that were only slowly, if at all, acquiring the productive skill and equipment to satisfy them. National secession, national expansion, and the national state appeared to almost all nationalities in the region as plausible short cuts to the prosperity, power, and prestige they all desired.

In the course of events, the experiment was actually made. The Austro-Hungarian monarchy was destroyed and a number of successor states arose from its remains. There is no doubt on the whole that the emergence of these national states represented a significant step forward toward higher levels of popular participation in public affairs, toward political democracy, toward popular education, and even, in some respects, toward greater economic opportunities. But at the same time it seems clear that the change in the size of political units did little or nothing to come to grips with the fundamental causes of the poverty and backwardness of the region, or with the fundamental sources of its peculiar psychological and political frustrations and resentments. National and regional markets and consumer preferences remained as small and as unfavorable to mass production in the new states as they had in the old. Capital remained as scarce and productive investment as uneven and erratic as before. Tools, technologies, and work habits changed slowly if at all. Poverty persisted. Purchasing power remained low and prices high. Production remained scattered over many small and inefficient factories. Innovations were accepted reluc-